the FUTURE is in the POST II

For industry observers, it is evident that the postal industry has changed dramatically over this past decade and that it will continue to change over the next. It is also true that many operators have been successful in adapting their organisations to the new reality and in actively pursuing novel strategies for growth.

Despite the digital challenges, paper has an impact and is still a compelling medium. Most informed analyses now talk about integrating the digital and the physical, in order to maximise the benefits from each, and the postal industry is certainly in a unique position to be at the heart of this integration. The contributions in this book, the second in *The Future is in the Post* series, outline the nature of the transformation in the postal industry, and emphasise the role of technology.

The Future is in the Post II is intended to provide managers, suppliers, customers, policy-makers and politicians, regulators, academics, and in fact anyone with an interest in the postal industry, with some insights into the challenges and opportunities it is facing, and how it is transforming itself through the strategic actions of its operators.

The main part of the book contains contributions from a diverse group of people (and organisations) involved with the postal industry worldwide. These very experienced industry professionals discuss specific issues relating to transformation, strategic developments and options for the postal industry. Their contributions offer valuable insights for all those interested in the future of the post.

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PERSPECTIVES ON TRANSFORMATION IN THE POSTAL INDUSTRY

Preface by Jean-Paul Bailly

EDITED BY DEREK OSBORN AND Dr KRISTIAN J. SUND

THE FUTURE IS IN THE POST

VOLUME II

Perspectives on Transformation
in the Postal Industry

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WhatNext4U

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This is our second joint book and thanks to our positive experience with the first volume of *The Future is in the Post*, if anything, this book has been easier to put together. The first volume was incredibly well received and we would like to thank sincerely the many people who provided us with encouragement, backing, and feedback on both the first book, and on this second one, including UKIP Media & Events Ltd, organisers of Post-Expo, and our publisher, Libri Publishing Ltd. We also gratefully acknowledge the support of all our contributors, each one of them a thought leader in their field.

We would like to dedicate this work to our families, who have supported us throughout our careers, and to the wider "postal family" from whom we have learnt so much.

Derek Osborn and Kristian J. Sund
30th May 2011

Foreword

Tony Robinson

Managing Director of UKIP Media and Events

As the organisers of Post-Expo, the biggest world postal industry event which began in 1997, we have had the opportunity to witness the significant transformation that has been going on in the postal sector during the last 14 years. When we started, the world was just embarking on a quiet revolution that has since transformed the way we work and behave with ramifications for the postal industries that have been far reaching and at times unpredictable. The internet, the biggest single element of the revolution, has been followed closely by changes that have been of huge cultural significance including personal communications and online shopping. Much of what we take for granted now did not exist when we launched Post-Expo, including hand-held data capture for parcel delivery and recorded mail and, for consumers, the ability to track and trace parcels from devices in the comfort of our own homes. Within Post-Expo we have showcased the companies, technologies and people driving these changes and enabled the industry to come together to see and discuss the outcome of invention and adaptation. Without doubt for postal industry operators and suppliers these years have provided a roller coaster ride which still continues to change and surprise.

We were particularly pleased to be associated with the first book published by these authors, entitled *The Future is in the Post – Perspectives on Strategy* in the Postal Industry. The book was launched at the 2010 Post-Expo in Copenhagen and has since been widely distributed and read throughout the postal world. It has generated useful and important debate about strategic opportunities for businesses in the industry and created a platform for discussion amongst leaders and senior managers of postal operators themselves but also amongst suppliers, customers, regulators and many others with a stake-holding interest in the postal sector.

In view of the degree of change facing the industry and the resulting transformation that is taking place, I am sure that this volume will be just as eagerly read as the first. The descriptions and perspectives both inform and challenge everyone who is involved in the sector and who wants to ensure that it continues to be successful, albeit in different ways than may have been imagined in the past.

I would strongly recommend this book to anyone who is serious about the opportunities and challenges we all face, as there are ideas to be found here, lessons that can be learnt and stimulating questions to think about. All the evidence from this book and the continuing success of Post-Expo as a leading showcase event points to the fact that the transformation which is happening is successfully shaking up and reinvigorating a traditional sector which is now increasingly pushing out in new directions, finding ever more innovative ideas, embracing new technologies and steadily re-inventing what it means to be in business in the postal world!

Preface

Changing Without Losing Yourself

Jean-Paul Bailly

Chairman and CEO, Groupe La Poste, France

For a number of years the French post, like others around the world, has been facing unprecedented challenges, notably in the mail sector. These challenges have been great in both scope and impact, and include the accelerated growth of the digital society, with the accompanying physical substitution; the financial and economic crisis; a growing concern for the environment; the opening up of postal markets to the forces of competition, and so forth.

In 2004, the French mail market, which generated over half the revenues of La Poste, was liberalised for letters over 100 grammes. Since January 1st 2011, the market has been completely and irreversibly opened up. Seven years is a short period in the life of an organisation such as La Poste, whose roots are so strongly anchored in the history of the country. Yet, in this short time, La Poste has managed to transform itself, whilst remaining loyal to its own values and to the trust of its customers which is its most precious asset.

What La Poste has accomplished in recent years is nothing short of exceptional. With *Cap Qualité Courrier*, the company launched the biggest programme of industrial modernisation the country has ever known, renewing its economic performance, developing customer satisfaction, and sustainably improving the work place. The programme cost of €3.4 billion was entirely self-financed. *Cap Qualité Courrier* allowed La Poste to raise the quality of service and move from less than 70% successful priority mail (next day) delivery in 2002 to over 85% in the first months of 2011.

The three other major business areas of the Groupe La Poste have been through similar transformations.

In the area of parcels and express, the group has consolidated its leadership position, built a pan-European network with GeoPost, and innovated to exploit the new opportunities created by the rise in e-commerce. In the area of financial services, years of hard work and patience paid off when, in 2005, La Poste received a green light to create La Banque Postale, which rapidly occupied an important space in retail banking. La Banque Postale has positioned itself as a bank unlike any other, with a focus on giving customers what they want: professionalism, efficiency and cost-effectiveness, but with special touches derived from the Group's established values, such as proximity, accessibility and openness. The recent economic crisis validated this business model based on simplicity and transparency to the customer as well as safety and continuity.

Finally, the postal retail network, made up of 17,000 post offices and partner points of sale, entirely modernised its locations, becoming truly welcoming service centres, with faster, more practical, services. Post offices have been remodelled with the aim of making every customer feel more welcome, and guiding the customer more clearly to the right employee and service. Above all, because this is a priority for the customer, everything has been done to minimise waiting times, with the result that waiting times have been halved in remodelled post offices.

La Poste is transforming itself in every activity and in every place in which it operates. For sure the company has changed a lot. It has modernised, and adapted itself in response to changing customer demands. However, a lot remains to be done to pursue the modernisation in mail, to continue developments in other business areas, to innovate more broadly in order to identify new areas of growth, and to improve services, including multichannel services. In order to achieve this, La Poste was corporatised in early 2010. Its new status as a public limited company (*société anonyme*) with 100% publicly owned shares allowed it to raise €2.7 billion from the state and Caisse des Dépôts, a government-owned financial institution and long term investor serving general interest and economic development.

All these challenges are stimulating to the company and encourage the creation of new postal solutions, products and services to better meet the needs of customers. We recently launched an ambitious plan called "2015 Let's Reinvent Mail", to create new services in the French and European spaces despite falling volumes. Thanks to the industrial revolution undertaken in the area of mail La Poste is in a position to offer more innovative and individualised solutions to its clients, as well as higher added value. La Poste can thus offer unprecedented value to both individuals and businesses, thanks to the important gains in productivity and quality of service.

By developing in the way it has, permanently innovating and looking for complementarities with the internet, the La Poste mail sector still has a positive future to which it can look forward. Our ambition is for mail to become the chosen medium for our customers and partners: efficient and competitive, trustworthy and sustainable.

A few years ago, La Poste may seem to have had its back against the wall, faced with the impending liberalisation of mail and the rapid growth of the internet, long viewed as a competitor to its services, but the company has managed, like never before, to champion major modernisation programmes and to transform itself without neglecting its roots or losing itself. Now more than ever, the future is in La Poste!

CHAPTER ONE
Introduction and Overview of Contents

Kristian J. Sund and Derek Osborn

We often hear clichés about change, such as: "the only constant is change[1]", or "the world is changing more rapidly than ever". The truth, however, is that change is nothing new – it has always been a part of human life. So, why are we still astonished when things change? Perhaps because, deep down, we are creatures of comfort and habit, and habits are inevitably upset when the world around us looks a little different each day. Faced with change we can either retreat deeper into our old habits, refusing to play along with the new, or we can choose to abandon the old habits for new ones. In a nutshell, this is what industrial and organisational transformation is all about: changes in the environment forcing organisations to adapt, either slowly or rapidly, successfully or unsuccessfully.

Over time, organisations develop strategies, routines and processes, and encourage members of the organisation to follow these closely. Yet the outside environment, composed of customers, suppliers, competitors, regulators and so forth, does not stand still. Laws and regulations change over time, as do customer needs, suppliers' products and services, and competitors' products and prices. An organisation that fails to adapt its own way of doing business over time may find itself in a situation of strategic drift – where its products and services, processes and routines, as well as more generally its internal organisation, are no longer fit for purpose. Customers move to new suppliers and solutions, and ultimately the organisation finds itself in decline.

This scenario has been played out again and again in a large number of industries. Past success only makes the problem worse, as the organisation may blame sudden decline on short-term problems, rather than concede the deeper mismatch between itself and its changing environment. In the 1980s IBM, which for decades had been

1 A quote accredited to the Greek philosopher Heraclitus (c.535 BC – 475 BC)

the market leader in mainframe computing, was brought to its knees when the personal computer took off. In the words of Robert Heller, author of the 1994 book *The Fate of IBM*:

> "What happened with IBM was particularly marked because the company had been so phenomenally successful. As a result, it was impossible for people who had grown up in the system to understand that it didn't work any more. In entirely new circumstances that were changing very rapidly, they attempted to follow the old policies that were no longer effective."[2]

Another more recent example is Palm. Until ten years ago, Palm was the undisputed leader of the PDA (personal digital assistant) market, but the firm largely missed the mobile smart-phone trend. Prior to Apple's successful launch of the iPhone in 2007, the then CEO of Palm, Ed Colligan said:

> "We've learned and struggled for a few years here figuring out how to make a decent phone. PC guys are not going to just figure this out. They're not going to just walk in."[3]

Yet that was exactly what happened, with Apple's iPhone and RIM's BlackBerry going on to dominate the smart-phone market.

Transformational Change in the Postal Industry

For a variety of reasons, over the past decade the postal industry has been undergoing rapid transformation. On the technology side, the main drivers of change have included the rapid growth of the internet, which has resulted in digital substitution for much of the physical mail. A key concern is that today the industry *continues* to face the challenges of this digital substitution, with gradually declining mail volumes in many countries around the world. The recent global economic downturn only accentuated this decline and although we are now out of that particular recession, there is no reason to believe that volumes will recover in any significant way.

Having said this some areas, such as direct and hybrid mail may still hold a lot of potential for postal operators. Digital convergence has seen direct mail become

2 Quoted from Lloyd, B., "IBM: Decline or Resurrection?", *Management Decision*, Vol. 32 No. 8, 1994, p. 5

3 Quoted from Meinck, C., "Palm Executives Calling Out iPhone". *everythingiCafe*, 11th April 2007, accessed on 3rd June 2011, http://www.everythingicafe.com/palm-executives-calling-out-iphone/2007/04/11/

an integral part of the media mix, and electronic commerce has contributed to a healthy development in the traffic of parcels. Globalisation has led to continual growth in global trade, which has benefited all areas of logistics. Finally, competition and digitisation in financial services, along with the growth in world trade, has strengthened those posts active in banking, finance and insurance.

Operators around the world have been increasing their productivity, by employing state-of-the-art technology for handling and sorting mail, as well as for engaging with customers. And now, following total liberalisation of the European mail industry, which handles over a quarter of the total number of mail items in the world, new opportunities for internationalisation and growth have appeared. Therefore, some opportunities for revenue growth still exist in traditional product areas and markets.

It is against this background that some have predicted the "final curtain" for the industry, or at least for paper-based mail. Our contention in this book, as was the case in our previous book[4], is that this view both over-simplifies and misrepresents the current situation. Yes, there are many challenges associated with industrial change on the scale currently experienced by the postal industry, but there are also many options and opportunities available to operators. This book, with its collection of contributions from leading figures in the industry, reflects some of the diversity of perspectives on the transformation taking place in the industry.

Transformation – a Strategic Imperative

No-one can deny that the postal industry is at a crossroads. The postal market in the European Union was liberalised very recently, and as Western governments find themselves in a period of record budget deficits and public debt, it appears obvious that the pressure to privatise national operators can only increase. Five European national operators have already been fully or partially privatised, and nearly all have by now been turned into commercial profit-oriented entities. This puts operators in a new and delicate situation, where adopting the right strategies for future revenue and profit growth is at the forefront of concerns. Status quo is simply not good enough.

Many operators are using diversification strategies as a way of finding new growth opportunities. Some have been extremely successful in areas such as finance, logistics, or even telecommunications. It is therefore time that the strategic agenda

4 Sund K. J. & Osborn, D (2010) *The Future Is in the Post: Perspectives on Strategy in the Postal Industry*. Faringdon: Libri Publishing

moves away from focusing on doom-and-gloom scenarios, towards a more positive recognition of the strategic opportunities available to all operators. In 2010 we invited 17 postal experts and thought-leaders to share with us their strategic perspectives on the postal industry. The result was a first book which we titled *The Future is in the Post* to emphasise that strategy is about planning for the future and about getting postal organisations excited about that future. Common to all the book's contributors was that they held a firm belief that there is indeed a bright future for the post. It was also recognised, however, that large-scale transformation and adaptation continues to be inevitable.

There were in our opinion three key messages found in that book, that we believe can and should help guide strategic thinking in the global postal industry. All quotes below are taken from that first book.

1. *Make sure you have a clear strategy*

A number of academic studies of strategy-making and of how strategy links to business performance have indicated that having a clearly formulated strategy tends to matter more than the actual strategy itself. Having said this, there are also indications that in periods of high uncertainty and change, the actual choice of strategy becomes more important. Recent research conducted by Accenture on strategy in the postal industry supports this view. According to Susan Barton, Accenture Postal Industry Lead for Europe, Africa and Latin America,

> "In 2006, our research highlighted that choice of strategy did not seem to be a major factor in determining success: having strategic clarity was sufficient. In 2009, we found that strategic choice had become more important and, indeed, four strategic categories were emerging across the industry. In 2010, we discovered that choice of strategy was absolutely vital to success and reflected as a top priority among our league table of postal players achieving high performance."

There may not always be a "right" or "wrong" strategy, but there is definitely always a need for a clearly articulated strategy. Having no clear strategy is the worst position of all.

In terms of strategy, key questions include:

- Will we focus on our core business or move into new areas? and;
- Will we remain within our home country or internationalise abroad?

Diversification can be achieved both nationally and internationally, and increasingly we see operators going beyond their national borders.

Grossly speaking there are four types of players in terms of internationalisation and diversification. Firstly, there are the traditional operators that have chosen to focus on their home market, with existing products. Secondly, there are those operators that have stayed within their borders but have diversified themselves away from the core business, providing new services to the customer, such as financial services for example. Among the players having internationalised themselves, we find those that have a regional focus, typically moving directly across their borders into neighbouring countries, but we also find the truly global players, although these are relatively few.

2. *Diversify to capture opportunities*

Faced not just with the threat of stagnating revenue growth in traditional mail markets, but also with the great opportunities offered to posts that can successfully leverage their existing capabilities and resources, including the very trusted postal brand, a growing number of traditional operators have looked for new business areas into which they can successfully diversify their organisations. The typical capabilities that are leveraged in such diversifications include the trusted postal brand, the extensive post office (retail) networks still found in many countries, the logistics know-how, and others.

When determining what opportunities to pursue, it is clear that operators face trade-offs. If you choose to move your business in one direction, you are likely to cut off other possible alternatives. Opportunities therefore have to be examined carefully. As Maxine O'Brien of KPMG puts it,

> "A robust and well-structured approach to opportunity assessment is required, which enables the effective comparison of ideas, an assessment of their merits, and the appropriate allocation of time, money and other resources. Opportunity assessment fundamentally involves a critical exploration of the strengths, weaknesses, opportunities and threats associated with particular ideas and related business models."

Some operators are exploring opportunities in the digital domain. For example, at the cross-roads of the physical and digital, hybrid mail, although not new per se, continues to offer opportunities due to the particular advantages of posts. According to hybrid mail expert Jacob Johnsen, "Posts have a strong edge over any competitor. Even if e-service competitors may have numerous electronic services, an offer that includes a physical letter will need the post, either to bring a letter to the service or to deliver a letter from the service. The post is the only player that has the ability to mix physical and electronic services at its will, and be in charge of the entire delivery chain."

Diversification does not necessarily have to be strongly related to the core business of mail or parcel delivery. As Stefano Gori, Head of International Business Strategy of Poste Italiane says,

"Diversification into sectors that are considered to be mature, saturated or highly competitive is not necessarily a bad idea. For example, who would think that in Switzerland there would be a market for another financial institution like Swiss Post financial services, or in a country like Italy, that it was possible to enter a saturated and highly competitive market like mobile telephony and acquire 1,600,000 customers in two years?"

3. *Remain Relevant to the Customer*

Essential to the thinking of any operator is that when customers are faced with options for substitution, which they often are in the case of the services offered by posts, it becomes critical to give customers good reasons to stay. As Moya Greene, Chief Executive of Royal Mail, points out in the preface of our previous book: "The goal is to remain relevant!"

The Future is in the Post

For industry observers, such as us, it is evident that the postal industry has changed dramatically over this past decade and that it will continue to change over the next. More importantly, though, many operators have been successful in adapting their organisations to the new reality and in actively pursuing novel strategies for growth. Opportunities are still numerous, and postal operators can find ways of adding value to customers, both existing and new, by leveraging what posts do best. Posts remain the only companies to visit every household (almost) every day. They have extensive post office networks. They remain a trusted brand and partner in many countries. They have a unique knowledge of addresses and households. They have the ability to occupy a niche between the physical and digital. There are thus many options available to operators but, most importantly, they have to identify and commit to these options.

Despite the digital challenges, paper has an impact and is still a compelling medium. Most informed analyses now talk about integrating the digital and the physical, in order to maximise the benefits from each. The postal industry is certainly in a unique position to be at the heart of this integration. The digital and physical worlds do not have only to be substitutes one for the other, as some have suggested. Through the post, they can complement each other too. In addition, the traditional differentiators can still be exploited, for example the "trusted" brand, and the strong intermediary roles between businesses and consumers, or between governments and citizens. The post can also see the universal service obligation, which gives it the opportunity to "reach" or "touch" every household daily, as a potential strategic advantage or differentiator. However, this universal service obligation may well have to be adapted to take into account the new technological reality. The contributions in this book, the second in *The Future is in the Post* series, outline the nature of the transformation in the postal industry, and emphasise the role of technology.

An Overview of Contributions

This book is intended to provide managers, suppliers, customers, policy-makers and politicians, regulators, academics, and in fact anyone with an interest in the postal industry, with some insights into the challenges and opportunities it is facing, and how it is transforming itself through the strategic actions of its operators. The main part of the book contains contributions from a diverse group of people (and organisations) involved with the postal industry world-wide. These are a group of very experienced industry professionals, people who could be described as "thought-leaders", who we have invited specifically to discuss issues relating to transformation, strategic developments and options for the postal industry.

For each contribution, we have provided a brief abstract and some questions for thought, which can be used for discussion and to stimulate thinking. We hope that, in this way, this book can become a springboard or a platform for some more informed discussion and interest. It can also be used in a class-room, executive development or workshop environment.

Each contributor has considerable relevant experience in the industry and, in many cases, holds or has held important positions in key organisations or businesses in the sector. However, as readers will notice, their analyses are not always identical. We have deliberately retained a diversity of perspectives, since the contrast in approach and conclusions is both interesting to explore and meriting of serious attention.

This volume starts with a preface by Jean-Paul Bailly, the President and CEO of La Poste, who has overseen a major transformation of that company. In the space of only a few years, La Poste has massively improved the quality of its delivery network, diversified on a large scale into the banking sector, and turned its post offices into a modern and customer friendly retail network. A great success story!

In the next chapters we find some interesting and different case studies of transformation in the postal sector. We begin with two examples of postal operators who have changed their very identity as a result of transforming their business: first the story of bpost, as told by Johnny Thijs, the company's CEO, then the story of Itella, delivered to us by Tarja Pääkkönen, who led the re-branding of the Finnish Post as Senior Vice President for marketing. Peter Brannström and Per Lindeborg describe the ongoing operational transformation taking place in PostNord, the new company that resulted from the 2009 merger of Post Danmark and Posten AB, whilst Marten Büttner informs us about the context of major changes in the Malaysian Post.

A key issue when discussing postal transformation is that of regulation. Most operators are subject to regulatory constraints that often define or limit the business areas open to the operator, the prices it can charge and so forth. In her contribution to this book, Jody Berenblatt makes the point that business customers can play a role in lobbying the government for regulatory change, whilst Monika Plum shows how technological change and liberalisation are leading to co-opetition, a situation where operators find themselves co-operating in some areas, whilst competing in others. Helmut Dietl and Christian Jaag argue that whilst postal operators need fully to embrace the unique competitive space created by electronic substitution, at the intersection between the physical and digital, regulatory frameworks also must be adapted towards a technology-neutral definition of universal service.

For those operators willing and able to be shapers rather than followers part of the future undoubtedly lies in the electronic space. Frank Marthaler and Beat Friedli share the view of a technology-neutral universal service obligation and, along with the subsequent contribution by Walter Trezek, tell us in their contribution that trust and security are key features in that space, and postal operators are in a good position to offer this. Marcin Bosacki provides an inspirational example of how the Polish independent operator InPost has not only been entering the digital space, but has also fully engaged with social media and diversified into mobile telecommunications. Mohammed Saleh Benten and Mohammed Al Abduljabbar provide a contrasting case study of how Saudi Post has radically transformed

itself, becoming a major player in both e-commerce and e-government. Finally, Touhami Rabii provides us with an account of how in emerging posts, hybrid mail is opening up more new opportunities and is doing so in ways that are different to the experience of posts in developed countries.

An issue of increasing concern for posts is the impact of their operations on the climate and the environment, as well as the notion of sustainability and corporate responsibility in general. Kristin Ringvold and Anders Rygh present us with the climate strategy of Posten Norge, who in addition to being the historical postal operator, is the largest transportation and logistics company in Norway. In their contribution, Luis Paulo and Maria Rebelo explain how and why CTT Correios de Portugal has similarly decided to transform itself into an environmentally sustainable organisation.

The final contribution in this book, by Pascal Clivaz and Matthieu Boillat, discusses the changing role of the Universal Postal Union, and how the UPU is adapting its own strategy in response to the transformation of the industry.

We hope you will find this book and its contributions engaging and inspiring, and will enjoy reading it as much as we enjoyed putting it together. We invite you to dialogue with us directly, with your reactions, observations, and suggestions.

CHAPTER TWO

From De Post-La Poste to bpost: Ten Years of Constant Change

Johnny Thijs

CEO, bpost

The traditional public postal operator of Belgium has been through a radical transformation. In just over ten years, since becoming a limited company, it has changed in so many ways that it is hardly recognisable from the organisation it was. The sweeping nature of the changes are described and although it has not been easy, the company, now known as bpost, has taken their employees and stakeholders with them on this journey and is now performing strongly in Belgium and internationally.

In June 2010 the Belgian national postal operator De Post-La Poste changed its name to bpost. This name change was the last episode of ten years of major changes and modernisation at all levels of the company. These changes were intended to ensure the company's future in a fully opened postal market. Today, bpost – a name that refers to its Belgian roots and its core business – faces the future confidently and vigilantly.

Although there have been ten years of constant change, the transformation process started to take root even earlier than that.

Background to the Changes

Scarcely 40 years ago, bpost was part of the Ministry of Transport. In the late sixties, decision-makers became convinced that managing an industrial mail activity was not the core business of the State and civil servants. The "Regie der Posterijen-Régie des Postes" was the first attempt to reduce bureaucracy and create an appropriate management structure and this became operational on 1st January 1972, lasting for 20 years.

In October 1992 the autonomous public company De Post-La Poste-Die Post was created in a new attempt to improve the organisation and quality of the postal service. At the end of the eighties it became clear that the "Regie der Posterijen – Régie des Postes" had failed: poor quality and bad results led to several important injections of tax payers' money, through political rather than entrepreneurial management. The public demanded more quality and better results and there was a need to restore a balanced state budget (Belgium indeed had committed itself to be one of the founding members of the Euro). There were also the first but clear signs that the European Union was heading towards a full opening-up of the postal market and it became obvious that something had to be done. So the "Regie" became a public company, the management was granted autonomy and the political actors took up their position as stakeholders.

Since then, the responsibilities of both management and public authority have been defined in a "Management Contract". A public company can still be called upon to achieve objectives of social interest or public benefit, but within the limits and under the financial conditions as provided in the contract and without compromising the profitability of the company.

Finally on 17th March 2000, the autonomous public company was converted into a limited company under public law (thus enabling it to enter into partnerships and alliances) which was one last necessary step to face the growing competition and increasing pressure on mail volumes.

Major Change Is Embraced

From then on, the company embraced change – at all levels and in all divisions – driven by the ambition to secure a place in the leading group of European postal operators.

The complete reorganisation of the logistical activities involving the delivery of mail and parcels, bpost's core business, was and still is the major project. Organisation and procedures must be continuously adjusted to changes in mail volumes and flows and at the same time the latest technological advancements in the sorting infrastructure (for sequencing of mail in order of delivery, based on street names and house numbers) must be taken into account. The complete overhaul of the network structure (small delivery offices operating in one municipality are being merged to create operational platforms covering several municipalities) and new delivery methods contribute to the necessary cost reductions in buildings and transport. This has resulted in the quality of delivery being improved in a very significant way.

In the face of growing competition and increasing pressure on mail volumes, new niches for growth were explored to complement the range of products and services and the ability to respond to the needs of the customers was improved. The acquisition of several companies which specialised in parcel distribution and express services was part of this strategy. The Distripost service was created to capture a larger share in the growing market of non-addressed direct mail. Value-added mail services and integrated document solutions (i.e. collect and stamp, hybrid mail and digitising inbound paper documents) contribute to the one-stop-shop solution bpost offers to meet customers' needs. In secure email, the Certipost subsidiary provides highly secured electronic document exchange (sending and receiving) to both businesses and residential customers.

Developing Internationally and Reorganising Post Offices

bpost international (BPI) competes in the market of international mail and parcels which was fully opened to competition in 2002. Today BPI is one of the top five players in the world. The new international sorting centre at Brussels Airport processes a daily stream of mail and parcels to and from 190 countries. bpost international has activities in ten European countries and Asia and in 2009 bpi expanded its activities in the USA through the acquisition of MSI Worldwide Mail.

Reorganising the heavy-loss-making network of 1,300 post offices, to facilitate easier access to postal products and services and improve customer satisfaction, was a major challenge for bpost retail division. Since the start of this reorganisation in 2005, the traditional post offices have no longer been the only places to buy stamps, send parcels or collect registered mail. Depending on their needs and lifestyle, customers now have various points of access: post offices (mainly for banking and financial products), PostPoints (basic postal services are offered in partnership with local businesses), local stores for stamps, eShop and call centres. The remaining post offices are being redesigned to offer more comfort for customers with open counters and waiting time management. In addition, a range of new products and services were introduced. The financial and insurance services of Bank van de Post-Banque de La Poste continue to be an important part of the retail division's modernisation strategy.

The Results of the Changes

These many sweeping changes were made without lowering quality or customer satisfaction. On the contrary, the quality index for delivery rose from around 85% in the early years of 2000 to 96.4% in the first six months of 2010. This index shows that letters, parcels and registered mail items are delivered within the term promised (standard next day) in more than 96% of cases.

In 2004 just 75% of post office customers were satisfied with the service they received. By 2009 82% of customers gave bpost a satisfaction rating of 5, 6 or 7 on a scale of 7.

The changes also resulted in significantly increased productivity. The number of employees (expressed in FTEs) fell from 40,024 in 2003 to 29,600 in 2009 and the income per FTE rose from €50,000 in 2003 to €75,000 in 2009.

In spite of the higher workload and the constant pressure of change, the satisfaction of bpost employees has also risen significantly. In 2008 74% of employees said they were motivated and satisfied (ratings of 5-6-7 on a scale of 1 to 7). By 2010 that rate had risen to 81%.

In short, ten years of sweeping change and restructuring have proved successful, with greater efficiency and productivity, an updated product range, improved quality, more customer satisfaction and motivated employees. That is expressed in bpost's improved financial health. In 2003 bpost generated €1.9 billion in income, a negative EBIT[1] of €79 million and an operational margin of -4.1% (as a % of income). In 2009 the turnaround was clearly visible, despite the economic crisis: the turnover

1 Earnings before interest and tax

was €2.25 billion, the EBIT €240 million and the operational margin 10.7%. This positive development continued in 2010.

Lessons Learned

Over the past decade bpost has proved by these results that it can implement tough sweeping change. The conditions are clear:

- All stakeholders must be shown very clearly from the very beginning why the status quo is not an option.
- Everyone – shareholders, employees and the unions – must be mobilised around a multi-year plan with good future prospects. No changes must be made against the employees but together with them. Constant honest and transparent communication with all parties is essential at all times.
- Stay focused! The company must stick to the "line of reform" through all storms and not allow itself to be diverted from the master plan. Solid binding agreements between the stakeholders and the state are essential. For bpost the entry into the capital of a private minority shareholder in 2006 was critical in maintaining the drive for change.

bpost's challenge now is to continue to fulfil the expectations of stakeholders and at the same time guarantee the company's economic sustainability in the digital age , even after the full opening of the postal market. This is a tough assignment, because volumes will continue to decrease and even a modest decline in volume could have a significant negative impact on bpost's profit margin. To be successful, bpost has defined a strategic plan to maintain strong financial results, achieve growth with the new services despite the loss of volume in traditional mail, further reduce costs, guarantee the high quality of its service and continuously strengthen customer satisfaction. One thing is certain – there will be more years of constant change ahead.

Questions for thought and discussion

1. Why did De Post-La Poste embark on this challenging series of major changes?
2. How is bpost now essentially different from the organisation it was? What have been the guiding principles for the "line of reform" that they have focused on throughout?
3. In transformations of this scale, why is it so important to mobilise employees and other stakeholders and how is this done most effectively?

CHAPTER THREE

New Industry, New Strategy, New Brand. The Case of Itella from 1638 to the New Decade

Dr Tarja Pääkkönen

Executive Partner, Boardman

In this chapter, Tarja Pääkkönen, Senior Vice President at Itella from 2004 to 2010, reflects on the transformation that redefined the former Finland Post and gave birth to the Itella Group. This case study is an example of a complete strategic repositioning of a former state post, with a view to re-conquering the physical through the digital.

In 1638 Queen Christina launched a powerful declaration in order to start letter deliveries between Stockholm and Narva via Turku, on the south coast of Finland. At that time this decision was not only business related, but also very much revolved around the power balance and communication strategy between different countries in Northern Europe and Russia.

Today Itella operates in 15 European countries and employs roughly 29,000 people. In 2010 its net sales were approximately €1.8 billion. Itella is one of the oldest companies in Finland and naturally very proud of its roots, but at the same time it is under enormous pressure to build new business in order to be able to grow in the changing industry.

New Industry

As we know, the postal industry is in a major transformation, which means that there are business threats, but also opportunities for agile players in the market.

We have experienced "six waves of media": print, radio, TV, recordings, internet and mobile media. Today we live in a world where people daily use mobile devices more than ever to communicate, to find information, to make decisions and to entertain.

There are roughly 4 billion mobile devices, which is twice as many as the number of TV units. We live in a world where over 500 million people are active Facebook users and this number is increasing constantly. So we could almost say that after China and India, Facebook is "the third biggest country".

In this situation the most important question from the company strategy perspective is, which business are we in? This vital question concerns all postal industry players, especially the ones who in many cases have dominated and operated for centuries in the market.

This question was also faced by Finland Post Group in 2004, although naturally the topic had also been discussed much earlier, in fact in the later part of the 1980s, when Finland Post and Telecommunications were under the same "roof". Nowadays Telecom Finland is part of TeliaSonera Corporation.

But how was the original question answered? In Finland Post, after several long discussions and workshops, the Executive Board ended up defining a new industry. We started to call this new industry the "Intelligent Logistics Business", part of the digital society. Furthermore we defined "Intelligent Logistics Business" as 'the management of all material and information flows by using the latest technology'.

The question was answered, but the actual renewal work was just in its beginning. This new industry included such players as traditional posts, direct mail, logistics companies, but also players like ICT-companies, telecom operators, and information logistics and social media companies. So the competitive arena was also renewed.

New Strategy

For Finland Post the new industry definition led also to the process of redefining the strategy in a new way. In the 2006 new vision statement, a major strategic goal was set: "to become the leading company in intelligent logistics in Northern Europe and Russia".

Naturally product and service portfolios needed to be renewed as well, to match the different needs of corporate customers and consumers. This work is still ongoing in 2011 and will continue into the future.

To highlight the portfolio change, here are some examples from the customer point of view:

- From letters to iPost, NetPosti and customer marketing
- From cards to mobile cards
- From transportation to e-commerce solutions
- From invoice letters to the invoicing process
- From warehousing to fashion logistics
- From basic mail products to environmentally friendly services, known today as the Itella Green product family.

So to summarise, strategic change meant moving from a product and production orientation, to a customer process and solution orientation. From the corporate customers' perspective the focus was on market, sales, delivery and invoice processes.

In a company like the Finland Post Group, which has roots going back almost 400 years, it is not always that easy to execute the chosen strategy in daily operations, but there has not been any other option. "Change or be left out", as if you are irrelevant to customers in this new industry you will eventually be replaced by competitors. This message was communicated across the whole company.

In this strategic change the role of the sales and marketing team was important, representing the customer voice in the company. In 2006 a sales and marketing strategy was defined for the first time, with a holistic approach by using corporate level strategy as the starting point.

All people across sales and marketing were involved in defining the new strategy by using internet-based digital dialogue tools. The new sales and marketing strategy was called 1-2-3. So if you could remember the name, "one-two-three", you could remember the whole strategy:

- 1 Number one brands
- 1 Number one shop experience
- 1 Number one sales and marketing practices
- 2 Double customer time
- 2 Double international sales
- 3 More than 3% growth (meaning €160 million net sales growth during the strategy period)

The key to success was that the new sales and marketing strategy was so easy to remember and communicate without any slides. We succeeded in changing the leadership style, by involving people and investing in competence development and also renewing the sales bonus system. The most important thing was to build a culture, where sales was important, not just the "last place to work". People felt their work was now valued. The outcome was that employee satisfaction was one of the highest in the whole company.

Four years later, in 2010, the actual results were reviewed: sales and marketing efficiency had improved by +40%, net sales increase was + €300 million, which was more than targeted. In customer interface, every sixth minute a customer contract was signed, meaning annually roughly 20,000 contracts. Customer activities in sales and marketing were doubled and people were proud of it – "we did it".

New Brand

The biggest and perhaps hardest strategic change in the implementation of the sales and marketing strategy was renewing the brand. Why? Finland Post Group represented a long term institution in Finnish society. Everybody has strong connections to it, meaning also strong feelings and even stronger opinions including those of both businesses and consumers.

When we first started planning a brand renewal, there were roughly 20 different company names in use in eight different countries. Obviously, that was inefficient, not at all customer-oriented, nor cost-effective. A new business strategy across three business groups provided an excellent backbone from which also to define a new brand architecture, where the core was a new customer promise: Smart Move.

Smart Move represented a new service solution approach. After evaluating several options against selected decision-making criteria, and interviewing different stakeholder groups including customers, we decided in the Board that Finland Post Group would be changed into Itella Group with two service brands: Itella for corporations and Posti for consumers in Finland. In other words the goal was driving growth and profitability through two strong brands: Itella and Posti.

After the Itella launch spontaneous awareness increased to 90 % in ten months, which is an excellent achievement taking into account that the marketing budget was around 1% of net sales. Now in 2011, Itella is known in European countries and is also a market leader in Russia.

In the end, the Postal Industry can be seen as a "low value, no future" industry, or as "land of opportunity, new innovations to rise" based on the convergence of two ingredients: material and information. Some companies are kings in material flows, some are queens of information, particularly digital information, but few can master both. That is the opportunity, the size of a continent, to be discovered and conquered.

Questions for thought and discussion

1. Who champions the kind of transformation experienced at Itella over the last decade? Who are the key stakeholders involved in the transformation?
2. It is often considered that the postal brand is one of the most valuable assets of historical postal operators. Yet, Itella chose to abandon that brand for a new one. What does the Itella story tell us about the strengths and weaknesses of historical postal brands?
3. What new capabilities would Itella have to build up or buy in to succeed in their new strategy? (It is interesting to note that out of 7 Executive Board members in office at the beginning of 2011, 5 have joined the company since 2005.)

CHAPTER FOUR
The Journey for Future Success – PostNord, Meddelande

Peter Brännstrom
Director of Operations, PostNord

Per Lindeborg
Quality Director, PostNord

This is a description of how Sweden's Posten Meddelande, a part of PostNord, has dealt with the challenge of the unprecedented levels of change that they faced. Through structural transformation of their processes and revised methods in their production they have not only achieved vast cost reductions, but have also formed a new basis for local distribution. The authors outline a compelling picture of their methods and experiences, and also explain how they are moving on to implement a programme for ensuring continuous improvements.

The ability to deal successfully with change has rapidly become a necessity in the postal world. Increased competition and growing substitution have reduced volumes and forced prices to go down. In this environment it is hard to maintain a good level of profitability. Adaptation requires cost-cutting together with radical changes in organisation and work process in a way that could hardly have been imagined in the previous days of monopoly and increasing volumes.

Our Strategies

When planning for sequencing in sorting machines in the early 2000s we formulated a production strategy, based on the fact that machines are faster and more accurate than humans when it comes to sorting letters. To increase the level of automation is therefore a given strategy. This drive for automation is focused on both the percentage of total volume and depth of sorting. The intention is for a greater part of the volume to be sorted to a more refined degree than before.

This production strategy has provided clear criteria for decisions regarding development of the operational process. The strategy has been unchanged for 4–5 years and has worked well as a guideline for deciding on possible alternatives.

The operational strategies have been defined as follows:

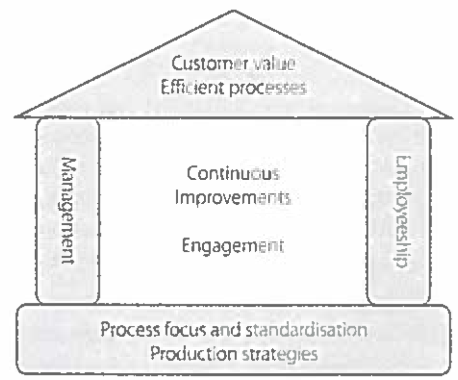
We will

- Ensure that what is best for the whole business controls the activities of the separate parts;
- Minimise manual routines through increased automation – achieved by gradually increasing the share of processing using sorting machines;
- Make the most effective use of resources using appropriate and sufficient competence, the right localisation and effective operational planning;
- Systematically develop standards in the processes and avoid waste through analyses of the value chain for process improvements, benchmarking, follow-up and evaluation;
- Use a quality approach to the operations – an effective process is built upon the ability to make correct actions from the beginning (right first time);
- Ensure that systems and support processes make everyday life in the process easier;
- Systematically develop the operations towards more environmentally sustainable solutions.

The Improvement Strategy

It was soon clear that the operational strategies were the right ones for us and that we could get an important advantage from them as we strived towards a continuously profitable postal function, even in the new, more challenging situation. We also realised, almost as quickly, that these strategies in themselves were not enough to make this happen. This insight was the catalyst which led us to create what we called "The Production Temple", which was our version of the LEAN-temples that many organisations have made.

In our "temple", we define the success factors that have to be in place in order to create an environment that enables effective transformation so that our operational strategies could be transformed into sustainable, profitable operations. The strategies became the foundation of the building, but it is crucial that all the other parts of the temple are in place. The leadership will take us into the future and the employees will build the result. To make this happen, we need to establish and develop a culture of continuous improvement, the main driver for which is employee engagement. This is how we can implement and develop efficient processes and create a high customer value.



The culture of continuous improvement has to permeate all parts of the operations. An example of that is the fact that we increasingly abandon the traditional budgeting process and focus on the pace of improvement and development. We realised that we had a problem when managers at different levels tended to deliver the expected result as per their budget objective, not more and not less. In that environment a way to be successful is to be good at negotiating. If the agreed targets are not too challenging or difficult to reach, then you will have a better chance to achieve them and be regarded as a capable manager. This culture resulted in political negotiations where local managers benefited if they could hide some of their potential. If they delivered too well, they risked being set goals for the next year which would be more difficult to reach.

As a step towards establishing continuous improvements as a natural part of day to day operations, we formulated a revised management philosophy called "Full Potential". A central part of this revised philosophy, both for short and longer term, is to ensure there is local ownership for the development and results in the operations. This has to be done through local managers taking full responsibility for the different perspectives in the Production Temple; the customers, the employees and the processes. The manager's assignment is to define how far the development can be taken, under given circumstances, how long this progress should take and which resources and assumptions are needed to make this possible. This approach concludes with an agreement between the manager and his manager, and the forthcoming monitoring is focused on the pace and progress in the development towards this "Full Potential".

The tools we use to help us in the development towards continuous improvement are mainly taken from the LEAN and TQM approaches. We establish improvement groups at the workplaces where employees try to develop their workplace in many small steps. Inputs they use in this effort are, for example, process deviations, quality problems, process audits or too-high costs. They analyse their improvement possibilities and prioritise the activities with the highest impact on the balanced scorecard. Standardised tools for the groups are Value Chain Analysis, benchmarking, 5S (sorting, straightening, systematic cleaning, standardising, and sustaining) or PDCA (plan–do–check–act). The importance of standards drives us to use improvements from the local groups to become new standards for the whole operation in Meddelande Produktion.

Our improvement strategy is based on the assumption that permanent improvements result from successful activities in all parts of the Production Temple. A well thought-out and consistent Production strategy, based on automation and standards is the foundation. On that foundation we aim to develop our management and engage our employees through a culture where participation is established through their direct involvement in the improvement activities. If we can succeed in this, we have taken major steps towards the roof in the temple where we can create high customer values through efficient processes.

How Far Have We Come?

The work is in progress and all parts of it are not yet natural parts of local development. Improvement groups of employees are engaged in many workplaces, but not all. The more standardised approach to the improvement activities has yet to be implemented in some parts of the organisation. Our plan is that all workplaces will have active groups in 2011.

We have not been totally successful in the quality assurance aspects of major process and organisational changes. An example of that is that we have had some problems when we changed the organisation in "delivery", aiming to create a bigger time frame for automated sorting. This was done thorough scheduling later delivery and considerably bigger routes. This was possible when the manual sorting for the delivery personnel was drastically reduced. The problems we have had are partly a result of insufficient quality in the resource management and partly a result of an extensive cultural shift for the employees. The routes have been longer and the mailman does not have his "own" route anymore. He is part of a team and his work hours have been changed.

Many workplaces have been successful in this change, but some have had big problems. This indicates that our approach for continuous improvements works well in many cases but has to be developed in other workplaces. If major changes are both developed and implemented in the improvement groups, the success rate is much greater.

To develop and improve this approach to transformation and continuous improvements is one of the most strategically important activities. The expectations for improved effectiveness and cost reduction for the years to come cannot be reached through big, structural projects. They must be based upon the results coming from innovation and improvement at many local workplaces.

Despite the fact that we have great challenges in the coming years, we have a great belief in our ability to deliver and meet the expectations. Meddelande Produktion has, during a long period, made the operations more effective and we have improved the processes drastically. The pace and scale of cost reductions has been faster than the volume decrease, and this has kept the profitability on a constant, and improved, level.

Our plans, strategies and experiences so far make us confident in the belief that we can continue our development journey and create the conditions for Sweden to have a profitable and strong postal operator in the future.

Questions for thought and discussion

1. It is important to have strategies for change and transformation but why is having a strategy not enough in itself?
2. How can a model like the "Production Temple" be used to help with any change or transformation programme? Why is the traditional use of budgets sometimes unhelpful?
3. What are the challenges and opportunities for engaging employees and then encouraging them to find ways of continuously improving their local workplace operations?

CHAPTER FIVE

Implementation Challenges in Postal Transformation: Experiences at Pos Malaysia

Marten Büttner
Independent postal consultant

Transforming postal organisations has been going on for more than 20 years and yielded some good results at various postal organisations around the globe. The difficulty in postal transformation is not so much to define what should be done – there are many successful examples to build upon. The real challenge lies in implementing and carrying through the transformation. Based on his experience in supporting Pos Malaysia in its transformation the author looks at the key challenges when it comes to the execution of major transformation programmes.

The Transformation Programme of Pos Malaysia

Pos Malaysia Berhad is the exclusive provider of mail services in Malaysia. With more than 175 years of existence in the country it serves its customers with mail, courier, retail and other related services. In 1992 Pos Malaysia was corporatised and has recently been 100% privatised following the sale of the remaining 32% government-owned stake to the private sector.

The new management that came on board at the end of 2008 looked at a deteriorating financial performance of Pos Malaysia with the operating profit constantly declining from 109m Ringgit in 2005 to 82m Ringgit in 2009. Because of this the management undertook a "business as usual" calculation and projected that by 2011 the company would have to face losses. Acknowledging the challenges of the postal market itself and the need to achieve a performance breakthrough for Pos Malaysia, the management has developed a three-year Transformation Master Plan which was approved by the Board in August 2009. The transformation has been based on a pragmatic approach as shown in Figure 1.

The starting point for the transformation was a depiction of the case for change (potential losses in 2011) followed by a clear definition of the strategic direction. The strategic direction was basically to focus on the domestic core business of mail, courier and retail in the next three years, thus laying the foundation for a potential future expansion into new markets and/or businesses. The focus for the next three years was clearly to restructure the existing business.

The transformation was built around five pillars which were: revenue generation, cost reduction, service improvement, HR optimisation and image strengthening. A total of 39 initiatives have been defined for execution. The portfolio has been derived from a combination of a top-down with a bottom-up approach. Existing initiatives have been matched against the top-down strategy and goals for the transformation. The portfolio included initiatives to increase revenues in all business units by introducing new products. It also included initiatives to reduce costs, especially in the mail operations, as well as initiatives to improve the service quality for customers, for instance by reducing the waiting time in the postal outlets. The portfolio has also been supplemented by HR initiatives, namely the development of talents, and initiatives to enhance the image of Pos Malaysia, supported by a complete rebranding of the company. The name given to this company-wide transformation programme was FOCUS.

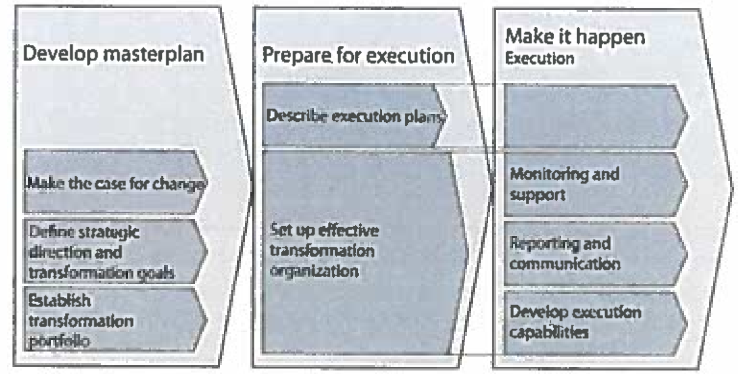


Figure 1: Transformation approach

Achievements

Mid-2011 saw the halftime in the execution of the three-year transformation plan (see Figure 2). A substantial performance increase could already be stated. Compared to 2009, revenues have increased from RM903m to RM1,015m (+12.4%). Operating profit has risen from RM82m to RM106m (+29.3%) and staff size was reduced for the first time from 15,780 to 15,618 (-1%). Other achievements include the introduction of an internet marketplace "PostMe.com.my" and service improvements, for instance in terms of next-day coverage in delivery, waiting time in postal outlets and call centre activities. It is expected that the second half of the implementation phase will further improve the performance of Pos Malaysia Berhad.

Challenges for Postal Transformation

In order to carry out a successful transformation of postal organisations it is important to have the right set of tools. Next to a systematic overall approach (such as in Figure 1), the following key aspects should be kept in mind when embarking on a major transformation:

1. Goals – Define a clear case for change and transformation goals
2. Engagement – Get major stakeholders (e.g. main shareholders, regulator) on board before starting the transformation

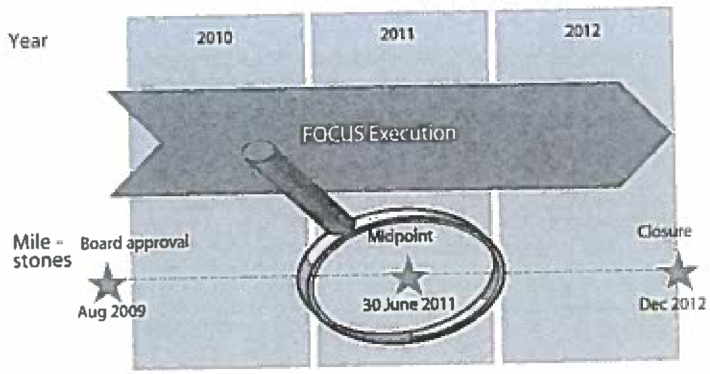


Figure 2: Execution period

3 Approach – Combine bottom-up with a top-down approach so as to build on existing initiatives but also on new ideas

4 Focus – Less is more! Concentrate on a portfolio of initiatives that can be handled properly

5 Quick wins – Show fast returns of the transformation with dedicated initiatives

6 Communication – Define a communication plan that suits different target groups in different ways of communication

In the case of Pos Malaysia the above-mentioned key aspects have been used quite successfully. In addition, Pos Malaysia could build on the extensive know-how of other postal organisations when it came to specific transformation initiatives. Still, when it came to the real execution of the various initiatives of the transformation programme, one could see that not everything worked out as expected. The author coming from Europe, with extensive implementation experience in Western European postal organisations especially Deutsche Post, experienced major cultural differences between Western Europe and Malaysia. These cultural differences had quite some influence on the execution of the transformation programme of Pos Malaysia as compared to the execution of transformation programmes for example in Germany.

Next to many cultural differences in the daily life when it comes to punctuality or the number of warm meals per day, for example, there are major cultural differences in the business life which have a substantial impact on the execution of transformation programmes. A very important difference is that the execution of a transformation programme in Malaysia has to be driven from the very top, namely by the CEO. Only in rare exceptions can one rely on the intrinsic motivation of the staff below actively to drive the execution. In addition, staff below the CEO try to avoid voicing their personal opinion and also do not ask for help in cases where they are not sure how to do things. In a transformation process in which various initiatives have to be executed in parallel this can really endanger the success of the whole transformation.

Another example of cultural differences which can slow down the execution efforts is the different attitude when it comes to dealing with problems. Whereas Europeans tend to tackle problems straight away, Malaysians prefer to "walk around" the problem.

These examples show that it is not sufficient to just have a good approach for the transformation and to consider key aspects to ensure the success of the transformation. The most important thing is to understand and respect the cultural differences. Once you accept that execution of a transformation programme within Deutsche Post, for example, is different from executing such a programme within Pos Malaysia, you are also ready to appreciate the cultural environment in Malaysia which is characterised by an enormous friendliness and an openness to learn from other experiences. Executing a company-wide transformation programme in Malaysia is a challenge but with the right attitude, and some patience, you will succeed.

Questions for thought and discussion

1. Who are the key stakeholders involved in the transformation in this case study and how is this different from the European context seen in the previous chapters?

2. What might be the reasons for focusing on the core business when launching the change at Pos Malaysia, as opposed to immediately pursuing new business opportunities?

CHAPTER SIX
Advocating Postal Sustainability

Jody Berenblatt

Independent Postal Consultant

In this chapter, the author suggests that customers play an important role as advocates of change in the postal sector. She argues that businesses, rather than simply accepting public postal policy, need to actively shape that policy, by lobbying industry associations, political representatives and other stakeholders who are in a position to influence policy. She then goes on to provide examples of changes that are needed in the US context.

Introduction

Unlike the European Union, the US continues to deliver mail through a monopoly, the USPS. This is a function of history, Congressional legislation, and the very high esteem in which the institution is held by citizens, an esteem that has shielded it, to a remarkable extent, from the usual demands for change. One might also argue that the USPS should not change at too rapid a rate for it serves a guardian role in American society.

At this point in time, however, the USPS has begun to recognise that a more rapid rate of change is imperative for its own survival. On December 2, 2010, Postmaster General Pat Donahoe told the Senate, "My personal vision is that of a profitable, nimble Postal Service that competes for customers and has a well defined and valued role in an increasingly digital world."[1]

Some keen observers in the private sector, watching the USPS reel from one operating budget crisis to another, have likewise become deeply concerned about its stability and functionality. Consequently, a new advocacy is emerging. At IPC's May 2010 Shop@Home conference in San Franciso, for example, eBay CEO John Donahoe said, "We have no choice but to play a more active role in the shipping of the product... "[2]

This chapter will address, first, how other businesses can advocate change in postal services. It will also discuss changes that are imperative, if the USPS and other historical operators are to continue connecting everyone, everywhere, reliably and affordably.

How to Advocate Change

The USPS was formed by Benjamin Franklin partially in the interest of distributing his periodicals to readers. Periodical publishers have always had a high dependency on the USPS and have therefore been consistently involved in driving postal policy. Through longstanding relationships, several large corporations in this sector provide constant feedback directly to upper management at the USPS, to commissioners and staff of the Postal Regulatory Commission (PRC), and to members of appropriate committees in the US Senate and House of Representatives.

1 Quoted from USPS Press release," U.S. Postal Service Chief Tells Senate Customers Come First", December 2nd 2010

2 Quoted from a video excerpt which was at the time of writing available on the IPC website, www.ipc.be

eBay has begun to follow this model of influence. However, the vast sweep of the private sector, despite their dependency on the USPS, has yet to adopt a similar mindset. They react to changes in postal policy, rather than engaging at the front edge of policy development. It does not occur to them that they can manage their relationship with the USPS as they manage all other supplier relationships. While many large businesses, like banks, have regulatory compliance departments and government affairs staff, they rarely use them to lobby for a leaner, more nimble and efficient postal service.

More businesses need to join eBay and the new Postmaster General in advocating for change. Those that do not have direct access to leadership through longstanding relationships, regulatory compliance departments, or government affairs staff might work through associations – the Alliance of Non-Profit Mailers, the Association of Postal Commerce, the Direct Marketing Association, the Magazine Publishers Association – that represent their interests to the USPS, PRC, and political representatives. (In response to USPS's effort in July 2010 to raise prices above the regulated Consumer Price Index cap, these associations immediately formed the Affordable Mail Alliance to block the price increase.)

How the USPS Needs to Change

Among the most important issues requiring advocacy from the private sector:

- Affordable Services. The survival of the USPS as a business partner requires better cost management in two major categories. The first is overheads – for example the politically imposed obligation to fund future retiree health care and pension costs. The second is the operating and maintenance costs associated with a physical infrastructure and retail footprint. The volume of hard-copy monopoly-based mail products is declining, as predicted. The USPS does not need all of the facilities that currently exist to process mail.
- Customised Pricing. Monopoly laws currently inhibit the postal service from emulating the private sector in recognising customer expenditure as a basis for pricing. Postal rate charts are organised by mail piece shape, class, and mail preparation methods – an approach driven by regulatory constraints and postal operations. Business customers would be much better served by customised pricing that takes into account the volume, quality and categories of mail used by its major customers.

- Easy Credit. The USPS is the sole entity in the business supply chain that requires customers to pay for services (delivery) upfront. By law, there is no credit provision whatsoever. This means, in effect, that a corporation buying media for an advertising campaign gets its print, radio, television, and internet services on credit, contingent on meeting the agreed upon terms of service. Only the direct mail component must be prepaid. To remain competitive and viable, the USPS must find a way to extend credit to its business customers and develop a realistic refund process.
- Predictable Service. International and domestic customers consistently tell eBay that they are reluctant to purchase certain goods because they do not trust the global postal network. eBay CEO Donahoe, representing the voice of e-commerce, warned postal executives that they need to create confidence in global commerce by providing "more robust tracking... in a cost effective way..."[3] Ultimately standardisation across borders will better facilitate the interface in the global marketplace.
- Domestically, consumers emphasise that they do not require immediacy, they require reliability. Longstanding business customers of the USPS (companies that send bills, magazines, advertising mail and parcels) have communicated their need for reliable service. In an attempt to address this issue, business lobbied Congress to require the USPS to measure and report mail delivery performance, when drafting the Postal Accountability Enhancement Act of 2006, building on the premise that what is measured is managed. The goal for first class business mail is to deliver 96% in the overnight regions, 94% for two-day and 92% for 3–5 day delivery areas. Scores reported by the USPS in February 2011, show actual first class business mail delivery at 84%, 88% and 85% respectively.
- Faster Innovation. The USPS has recently begun to offer several consumer oriented innovations, such as the forever stamp, the priority mail flat rate box, and the "postage cost included" for the purchaser of a Hallmark Card using the Intelligent Mail Barcode. The USPS needs to develop innovations to meet the needs of its business customers. While the USPS is not supposed to be a fast company, it does need to continue innovating at a much faster rate than it has historically, especially given the pace of electronic substitution.

3 Quoted from a video excerpt which was at the time of writing available on the IPC website, www.ipc.be

Conclusion

More businesses need to engage in postal advocacy and those few businesses already advocating for change need to step up their game. Rather than waiting for the current crisis to deepen and responding to that, the private sector needs to move forward managing the USPS like any other supplier, which, indeed, it is. If treated as a supplier, then perhaps the USPS will find it easier to listen more acutely to its customers' ever-evolving needs. This is a component of the cultural change that is a priori to innovation in products, pricing, and services.

Questions for thought and discussion

1. The author suggests a number of elements of customer service that are critical to get right in the case of the USPS. How do these compare to the situation in your own country? Are these the same issues that are critical to your own business?
2. Other than lobbying for government policy changes, what are ways customers can influence postal operators?
3. The author makes the point that cultural change, and in particular a customer focus, is a prerequisite for innovation in products, services and pricing. Do you agree with this view?

CHAPTER SEVEN

Co-opetition in Liberalised Postal Markets: the German Experience from a Supplier's Perspective[1]

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Transformation in the postal industry over the past 10–15 years has been triggered by two major developments: liberalisation and technological change. Both have led to changes that are greater than anything experienced in the previous 500 years of the postal service. This chapter describes the German postal market as an example, which has followed a rather specific liberalisation path. The author gives a special focus to the suppliers' perspective, which is often neglected in describing the liberalisation outcome. Development of email, internet and digitalisation has impacted the market twofold. It led to substitution and thus a decline of traditional letter mail volume. On the other hand it has also brought with it new opportunities in products, processes and solutions.

1 The views expressed in this paper are those of the author and do not necessarily reflect the views of Francotyp-Postalia

Liberalisation of Postal Markets: the German Case

Liberalisation in Germany has been a process of gradual market opening. A major step was the new regulatory framework in 1998 that introduced a competitive framework in the letter mail market with a partial exclusive licence for Deutsche Post. The scope of the exclusive licence was reduced subsequently over time until full market opening took place in 2008.

Competition started in 1998 mainly in the so called D-licence area, where letters with higher quality features were opened up to competition. Since a major element of higher quality was same day delivery or early morning delivery, mainly small local or regional letter mail businesses developed. The specific German licensing policy resulted in hundreds of small regional operators with their own local delivery networks.

It was only in 2005 when network access for competitors was enforced by a decision of the federal cartel office in Germany and downstream access competition was introduced as a second element besides end-to-end-competition into the German postal market. Since then, nationwide delivery became an option for regional players through downstream access to the Deutsche Post network. It also opened the way for cooperation and networks of regional players.

After more than ten years of gradual liberalisation the current market share of competitors in the letter mail market is 10%.[2] Downstream access by competitors accounts for approximately 8% of total mail volume.[3] The development of competition in Germany was negatively influenced by the minimum wage debate and VAT regime which exempted a large part of the incumbent's mail services from VAT.[4] Both issues have recently been eased with court decisions and new VAT legislation, but it is still not considered to be a self-supporting competitive market.[5]

The general objectives of liberalising former monopoly areas are to provide innovative and customer-oriented products and services, to achieve productivity gains and to lead to lower prices and higher quality.

Liberalisation in the postal sector has been accompanied by technological changes, mainly digitalisation. This has opened up the opportunity for an increasing number of specialised market players with a variety of product- and service ranges, which

2 For an overview of the German postal market see: BNetzA, annual report 2009; www.bnetza.org
3 Figures are calculated based on data from BNetzA, annual report 2009
4 These issues are not further discussed in this article
5 See BNetzA, annual report 2009, p.138

offer customers a greater choice. Technological change has had large implications for the processes in postal markets and often led to a modification of the traditional postal value chain.

Transformation of the Postal Value Chain

Under monopoly conditions, the traditional postal value chain consisted of collection, sorting, transport and final delivery and was reserved to the incumbent. Upstream and downstream activities were mainly provided by senders and recipients themselves utilising mail management products like meters, inserters, software etc. This traditional postal value chain has now changed in many respects (see Figure 1).

- The traditional reserved area from collection to final delivery has been opened up to competitors. They created new products and services, which had not been provided under the monopoly. Examples are defined delivery days, post-payment or downstream access and also giving smaller senders access to postal discounts.
- Technological change has enabled new options in upstream and downstream activities, like data management, address selection and address management or digitalisation of incoming mail. More and more senders and recipients outsource these activities to specialised businesses. These services are often provided by suppliers not originating in the postal market, e.g. from the software industry.
- At the same time, the classical sequencing of the postal value chain is no longer fixed, since new options are available. The classical order was printing a letter, inserting, franking, dispatch, collection, transport, sorting and delivery. With new hybrid and electronic options, several elements of the value chain are processed in one step, e.g. printing, franking and sorting, and only then the letter is inserted and handed over for final delivery. Thus the physical value chain may be provided partially in electronic form as hybrid mail. Cryptography, qualified signatures and improved data processing have enabled secure fully electronic mail options.
- Finally there is a migration of operators and suppliers along the postal value chain. Those formerly tied to one or two areas of the value chain expand into neighbouring elements of the value chain. This is valid for postal operators expanding into other business fields to compensate losses in the former monopoly area. But it is equally valid for other suppliers, like postage meter suppliers entering into hybrid mail, consolidation etc. Also, totally new suppliers enter the postal arena, e.g. from the software or printing industry.

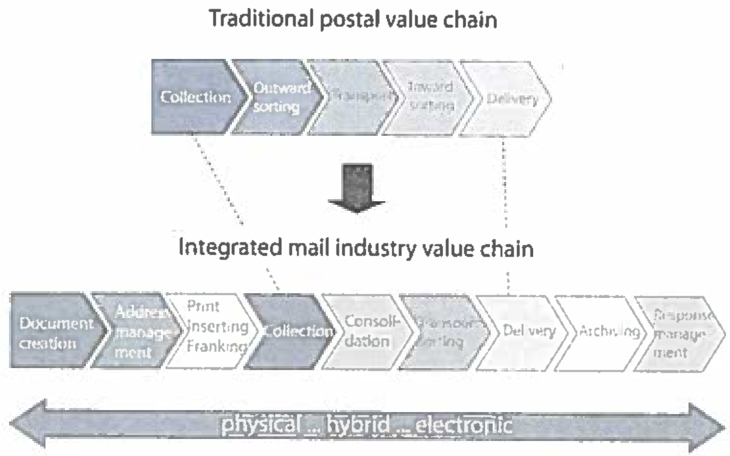

Figure 1: Extension of the postal value chain

As a result, the modern postal value chain is highly integrated. Formerly separated markets merge, new markets are created and traditional supply-and-demand relations are no longer valid.

Redefining the Roles of Players in the Postal Market

In the monopoly environment, the major players in the postal market were the incumbent postal operators, the final customers (senders and recipients) and the postal industry suppliers with rather clear-cut demand and supply relationships. The incumbent was responsible for collection, sorting, transport and final delivery and the traditional suppliers in the postal industry (e.g. suppliers for sorting equipment, postage meters) were active in offering products and services to the incumbent and/or customers. Although some players, e.g. postage meter suppliers, had a two-fold demand from the incumbent and the final customer to satisfy, it was still a supplier and buyer relationship and not a competitive relationship towards the incumbent. But liberalisation and technological change have altered these relationships: the competitive environment is much more dynamic and complex with incumbents, suppliers and new entrants expanding their activities into different market segments as described above. At the same time it also offers new options for cooperation and partnerships.

Before analysing this in more detail, the role of the final customers should be considered. In the monopoly environment, customers usually received little attention. With liberalisation the customer becomes the focus of the market and is a major driver of change, although their basic need – the exchange of written communication – is still the same. Liberalisation and technological change have created a variety of product and pricing options. For physical letters, customers can select between differing delivery times, track-and-trace options, pick-up, and value-added services like response management. In addition technological change has enabled completely new product offerings like digitisation of incoming mail, hybrid mail, or secure electronic mail. Although the new electronic options partially substitute for physical mail, they have opened a multi-channel offering for the customer – both senders and recipients. A further implication in the multi-channel world is the change from a "sender-driven" towards a "recipient-driven" market. Especially in the B2C communication the recipient preferences have to be considered to get higher customer retention.

The changing customer behaviour puts further pressure on the changing role of postal operators and postal industry suppliers. It is no longer a valid strategy to focus on one element in the postal value chain, but to provide a broader range of services, which leads back to cooperation and partnerships.

The Challenge of Co-opetition

The changes described above have created a situation, where classical cooperative elements still persist, whereas at the same time competitive elements arise from the dynamic market environment. This may be described by a new buzz-word in the postal industry: co-opetititon. The phenomenon of co-opetition in strategic theory was first described by Brandenburger and Nalebuff and is a valid strategy in the airline or automotive industry and will lead to superior performance or a win-win situation for the firms engaged.[6] In the automotive industry for example firms cooperate to develop certain parts or platforms under higher cost efficiency, whereas they compete in the final market. Another form of co-opetition, which has also been analysed in the postal sector, is cooperation in standard setting organisations.[7]

The co-opetitive relations described in the following examples are seen as a specific outcome of the liberalisation process. Also in these cases, co-opetition may lead to a

6 See Brandenburger, Adam & Nalebuff, Barry: Co-Opetition: A Revolution Mindset That Combines Competition and Cooperation, NY: Currency Doubleday, 1996

7 See Abdallah, Farah: The co-opetitive edge, Union Postal Magazin, March 2009

positive outcome and a win-win situation as described in strategic theory, but only if a level playing field for all players is guaranteed.

To return to the German case, a first example of co-opetition arises from the move of market players along the postal value chain. A traditional postage meter supplier in the monopoly environment had the challenge of complying with the technical and operational specifications of Deutsche Post and at the same time developing meters fulfilling the end-user requirements of ease of use, cost-efficiency and affordability. The relation to Deutsche Post in this area is a cooperative one and the major challenge is to accommodate the sometimes conflicting requirements. Under liberalisation, both Deutsche Post and the supplier have taken the chance and extended their coverage of the postal value chain, e.g. into hybrid mail or fully electronic mail, and entered into a competitive relationship in these market segments, while the cooperative relationship in the meter market still exists. If the competitive relationship is realised in a level playing field both parties can enter a win-win situation, since hybrid mail still needs final delivery, which is still mainly covered by Deutsche Post. This brings up a further issue, which is due to the technological changes. With digitisation there is a strong convergence between post and electronic communication / telecommunication. Since both sectors are characterised by former monopolies, it is necessary that regulators monitor carefully these processes and try to prevent any abuse of a market-dominant position.

A second example of co-opetition in the German market is the existence of downstream access competition parallel to end-to-end competition. Private postal operators compete with Deutsche Post in end-to-end delivery in some regions, and at the same time have a cooperative relationship for access to the Deutsche Post network. On the other hand Deutsche Post offers downstream access to final customers via a subsidiary competing with other downstream access providers. Since Deutsche Post still has a market-dominant position in final delivery, there is a need for a balanced network access and end-product price regulation to guarantee a level playing field for all operators. In the past year, Deutsche Post was able to lower network access prices by 12 percentage points, putting high pressure on end-to-end delivery.[8] Competitors of Deutsche Post call for a stronger network access regulation and abuse control to guarantee a level playing field for all operators.[9]

8 Downstream access prices in Germany are calculated as a discount on the standard letter mail tariff. The maximum discount for downstream access is 38% under the new tariffs, depending on volume and access point.

9 See Ritter, Johannes: "Der Wettbewerb im Briefmarkt erlahmt", FAZ.NET 11.11.2011

On the one hand, if network access prices are set too low, the market for end-to-end delivery is not attractive. This is an outcome that could be observed in the UK, with a market share of end-to-end delivery below 0.1%, whereas downstream access has seen enormous growth rates. Competitors' downstream access accounts for 24% of total mail volume in the UK.[10] If network access prices are too high, inefficient entry in end-to-end delivery may occur.

Both examples show that co-opetition is a likely outcome of liberalisation in the postal market. Since co-opetition itself is observed in many markets without any problems, it is also possible that co-opetition in the postal market may lead to a win-win situation for all participants in the postal market (operators, suppliers and customers) with better services, new products and more efficient processes. But the specific characteristics of a former monopoly market with a still dominant market player require special safeguards from regulation to prevent the exploitation of a co-opetitive situation.

The main challenges for regulation in the specific German case are:

- Balance between downstream access and end-to-end competition through effective network access and price regulation
- Monitoring the convergence of post and electronic/telecommunication markets to prevent abuse of dominant position

If this can be achieved, co-opetition may support the positive effects of liberalisation: an affordable and diverse product and service offering for all customers in the postal and electronic communication market.

Questions for thought and discussion

1. What are the drivers for postal transformation that typically accompany the liberalisation of the market? Does transformation of the market always lead to transformation of the participants in the market and is there a reverse effect where the market is changed by the transformed players?
2. What challenges and opportunities are available for incumbents and new entrants in the postal sector across the postal value chain, as described in this chapter?
3. What are the advantages of co-opetition in the market and what will help or hinder it?

10 For an overview of the UK mail market see Postcomm, Annual report 2009/10 and Hooper report 2008 / 2010

CHAPTER EIGHT
Postal and Regulatory Reform in Intermodal Competition

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In this chapter the authors argue that transforming the postal business model goes hand in hand with a transformation in the definition of universal service obligation. They argue that whilst postal operators need fully to embrace the unique competitive space created by electronic substitution, at the intersection between the physical and digital, regulatory frameworks also must be adapted towards a technology-neutral definition of universal service.

Introduction

Since the end of the 1990s, mail volumes have declined in most industrialised countries. There seems to be no foreseeable end to this trend and the decrease will strongly affect the development of postal markets in the future. Finding an appropriate co-evolution of regulation and market development has become one of the primary challenges of postal reform – both from a strategic and regulatory perspective.

Figure 1 compares actual addressed mail volume in Switzerland to hypothetical volumes based on GDP growth rates. Before the emergence of email, GDP and mail volumes used to grow at approximately the same rates. The reason for the recent decline is the increasing convergence of mail and telecommunication services[1]. Telecommunication services seem to be almost perfect (and much cheaper) substitutes for physical mail. Nevertheless, mail volumes per capita are still relatively high in many industrialised countries. In Switzerland, for example,

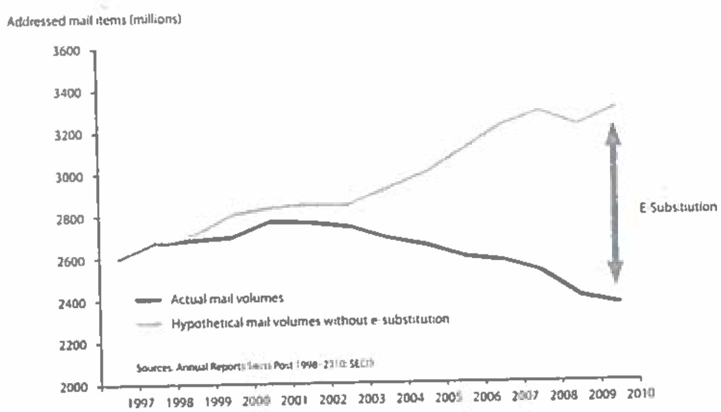

Figure 1: Addressed mail volumes in Switzerland 1997-2010

1 See Maegli, M., C. Jaag, M. Koller and U. Trinkner (2010). Postal Markets and Electronic Substitution: Implications for Regulatory Practices and Institutions in Europe, in: Reinventing the Postal Sector in an Electronic Age, ed. by Michael Crew and Paul Kleindorfer, Cheltenham: Edward Elgar

there are still about 330 addressed mail items per year per person on average. If electronic means of communication are such good substitutes for physical mail why are there still such high mail volumes? Apparently, physical mail possesses qualities that are not rivalled by electronic communication[2].

Compared with electronic direct marketing, letter mail still offers a number of distinct benefits, such as the personal touch, a tactile experience and less intrusion. Moreover, letter mail, unlike electronic direct marketing, has a higher chance of being read when the recipient is more relaxed (e.g. after work or on weekends). These advantages enable postal operators to defend market shares in intermodal competition. They are also the basis for further developing the postal value proposition to their customers.

These observations raise two fundamental questions relating to the further development of postal markets:

- How can mail be positioned in the mid and long term as a valuable alternative to email (strategic perspective)?
- How can the increasing convergence of postal and telecommunications markets be mirrored by appropriate regulation – especially with respect to the definition of universal postal services (regulatory perspective)?

In the remainder of this chapter, we will highlight some key issues related to these questions. The next section highlights strategic aspects and shows how postal operators can transform their business models in order to remain competitive. The following section addresses regulatory reform by analysing how the definition of universal service obligations (USO) restricts or enables postal operators to transform their business models. Finally we provide some concluding remarks.

Postal Strategy Reform

To understand the strategic threat of declining mail volumes it is important to view postal services as a platform that connects two market sides, mailers on the one side and receivers on the other. The economics of this platform are characterised by strong (cross-side) network effects: Each additional receiver that is connected to the postal network increases the attractiveness of the network for mailers. Despite the fact that

2 See Maegli, M. and C. Jaag (2010). Intermodal competition Postal Technology International: 2011 Annual Showcase

postal platforms create value for both market sides (i.e. mailers and receivers), only mailers are currently charged a price for these services. Receivers are subsidised.

When a competing platform, such as the internet, succeeds in attracting one side of this two-sided market, in this case the receivers, the cross-side effects decrease and, in turn, the other side; in this case the mailers, have a strong incentive also to switch to the new platform. The result can be disastrous for postal operators.

How can postal operators react to these challenges? Basically, they have three options:

- Downsize their operations
- Defend their core business through product and price differentiation as well as value-added services
- Modify or even transform their business model and thereby react more aggressively

Given the importance of network effects and the cost structure of postal operators (high fixed costs, low marginal costs), the first of the above options is not economically viable and may result in a vicious circle. The second option of defending the core business consists of extending the existing value chain. This improves customer retention, spurs demand and thereby creates additional revenues.

For a more aggressive transformation strategy, there are basically three directions starting from the core business, as indicated in Figure 2. Operators can expand vertically, horizontally and/or geographically. According to the resource-based view of strategic management, the postal operator's strategy has to take the existing resources and capabilities into account. These comprise the postal network, access to every household (a valuable resource in times of crises such as a pandemic), brand reputation, trust, and delivery know-how. How can postal operators leverage these resources and capabilities?

Swiss Post, for example, leverages its brand reputation and trust by offering new value propositions such as electronic certificates, encrypted or registered email, portable security and identification devices, and managed public key infrastructure services. The Post's unique selling proposition in comparison to other (social) networks is its position as a trusted third party with verified data about its users. In contrast to Facebook or LinkedIn, for example, where the verification of postal addresses of users relies entirely on the users themselves, postal operators can guarantee that the published postal addresses are the *actual* addresses of users, and not made-up or intentionally fake ones.

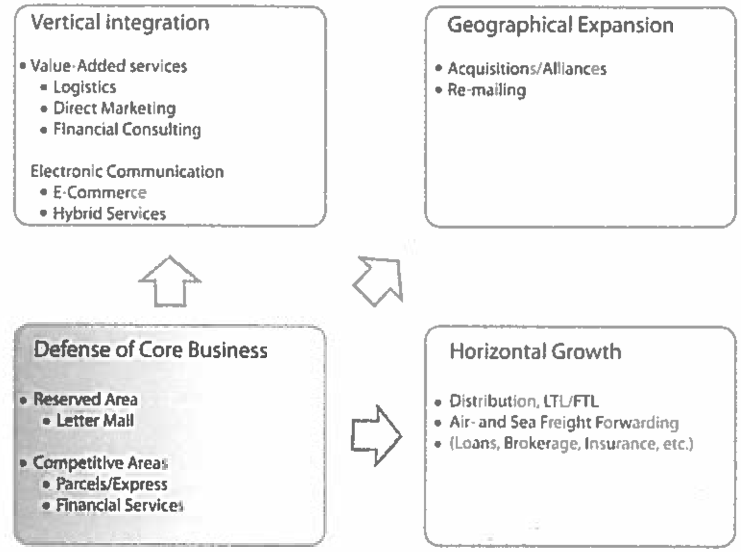

Figure 2: Business model transformation[3]

Regulatory Reform

The challenges to postal strategy lead to the question of how postal regulation affects such a modification and transformation of business models. Regulators determine the incentives and possibilities of business model transformation in the postal sector through a variety of regulatory instruments.

The introduction of reverse hybrid mail is a well known example of the interaction between regulation and postal innovation. Global warming has increased the cost of CO^2 emissions. As a result, in many places, printing and delivering postal items costs considerably more than giving away free e-readers such as a Kindle or iPad. These revolutionary changes have to be taken into account when regulators define universal service obligations. Consider the following example from Switzerland: Swiss Post offers its customers the "Swiss Post Box" service. Whenever Swiss

3 Adapted from Waller, P. (2002). Wettbewerbsstrategien in liberalisierten Briefmärkten. Lohmar. Josef Eul Verlag

Post collects and sorts a letter addressed to the receiving customer, the envelope is scanned and emailed to the customer's cell phone. The customer then has the options to have the letter opened and scanned, recycled, archived or delivered to the physical address. Hence, not all letter mail needs to be delivered physically and daily. The viability of this service depends on a technologically neutral formulation of the USO.

A technologically neutral USO means that the focus is on the satisfaction of consumer needs, not on the technology used to achieve it. For example, the main needs of recipients concerning postal services are physical and timely delivery. The technology used by the operator is of little interest. Reverse hybrid mail services, such as Swiss Post Box, improve physical delivery – they are the secure electronic complement to the physical mailbox. As a prerequisite for such a service, broadband and mobile penetration rates have to reach a critical mass. Then, universal services can become a technologically neutral multichannel concept which is built on the original idea of the USO: to safeguard the public's access to a defined range of basic services. With the concept of a communications USO, no matter how quickly communication technologies change, the right to a minimum level of service quality is of high importance for the economic development of a society. Therefore, a unified definition of the universal service consists of the basic principle of having the possibility to communicate from senders to receivers irrespective of whether the communication is physical or electronic.

Conclusion

E-substitution and the resulting decrease in mail volume forces postal operators to transform their business model. The combination of high fixed costs, low marginal costs, and significant (cross-side) network effects makes downsizing a dangerous response to these challenges. Besides defending their core business, postal operators can transform their business model. This transformation, which may include a vertical, horizontal or geographical expansion of the core business model, should take the existing resources and capabilities of postal operators into account. The existing network of post offices, access to all households, trust and reputation, are some of the most important assets of (incumbent) postal operators which can be leveraged by this business model transformation. Postal strategies, however, are strongly affected by postal regulations. The example of a technologically neutral USO highlights how regulators can encourage and facilitate the transformation of postal operators, without sacrificing their major social objectives.

Questions for thought and discussion

1. The authors argue that operators must take into account their resources and capabilities when exploring the new business opportunities created by e-substitution. What are examples of such resources and capabilities, and why could these lead to new competitive advantages for operators? Do you agree with this point of view?

2. Some operators buy in the necessary capabilities needed to compete in the digital space, for example through the acquisition of technology companies. What are some of the advantages and disadvantages of buying capabilities, rather than developing them internally?

3. How can the individual operator influence the definition of the USO, and what other stakeholders are likely to be lobbying regulators as well? Are there likely to be any differences in what various stakeholders or interest groups want from the USO, and do these conflict with the best interest of the postal operators?

CHAPTER NINE

Postal Operators between the Traditional and a New Architecture of Relevance and Trust

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Just like private customers, the business customers of postal operators, including governments, are increasingly moving towards digital rather than paper-based communications. In this contribution the authors argue that operators must seize the opportunity of occupying newly created market spaces with what they call e-postal products. This not only refers to hybrid products, but also to areas like secure communication. With trusted brands, a unique position in the physical space, and intimate knowledge of households, postal operators are positioned for success.

Introduction: What to Do when the Cash Cows Decline?

More and more postal operators not only realise, but also accept, that companies and governments slowly, steadily, but irreversibly, prefer to move away from paper-based business processes and customer communication towards digital alternatives. Cloud computing has become an established form of accessing and modifying information across institutions and individuals.

A rapidly growing community of consumers perceives more value if they are able to access, receive and archive important incoming documents and information with their new, fast, convenient and typically mobile devices.

Postal operators can choose different strategies:

- Anticipate the change and proactively develop and supply hybrid and digital communication services in order not to take the risk that other operators will be able to take a leading role in a "winner takes all" market;
- React to the changed need, but as slowly as possible in order to stretch the lifecycle of physical mail as successfully as possible and avoid any possible coincided erosion of physical mail volumes;
- Do nothing and leave the e-postal market to other companies.

There is no doubt that, if postal operators do nothing, they become less relevant, probably even irrelevant in the long run. Whether investment into e-postal products should be proactive or reactive depends on estimating the benefits and risks of being a front running pioneer or of being a follower.

The benefit of a reactive strategy is quite obvious: maintain margins and avoid large scale staff reduction (and confrontation with unions and other stakeholders). However, the risk and possible hidden downside is that, once other companies succeed with e-postal products, it will become difficult to enter or even to lead the market. E-postal challengers could be successful in translating typical network externalities into a "winner takes all" situation.

National characteristics of market systems ultimately have a strong impact on risks and benefits and accordingly on the business decision of "proactive" versus "reactive" strategy. Important exogenous variables are the availability of data network performance, the effectiveness of mobile devices and the education and adoption of the population regarding digital supply.

Looking to the future, usage of information and communication technologies (ICTs) for receiving individual messages or accessing data in the cloud will become a standard, and

> "non-active ICT users have increasingly difficulty finding jobs, pay more for products and services, and have less access to information for education, health and news purposes"[1].

Recent research from Swiss Post shows that, in only a few years, customers will prefer to receive most types of documents in a digital format. No kind of mail, magazine or newspaper is excluded from this change of customer preference from physical to digital delivery.

The Increased Importance of Security in the Digital Postal Marketplace

So far the question "What is the Postal Operator's value proposition in a digital market place" is still difficult to answer. Related questions are: What are the killer applications which open the door to the digital mass market? Where are the entry points and where are the "low hanging fruits"? How can a Postal Operator mass-customise without being lost in a cost explosion? What is the underlying commercial backbone? And how do you recruit or train new competencies and skill? How do you roll out new e-postal products? How do you help customers modify their processes? How do you deal with the complexity of the well-known two-sided market? Who is payer, who is user?

The common denominator of all these questions is "security"; the successful e-postal operators will be the ones who successfully overcome the central obstacle of digital communication. If asked what key obstacles are, the most common answer of respondents in our recent survey was "date security issues".

Key security issues in digital communication and in digital workflows are the following:

1 Source: "Communication trends and the role of mail" Report for the International Post Corporation; Copenhagen Institute for Futures Studies; accessed April 2011 on http://www.ipc.be/~/media/Documents/PUBLIC/CIFS_Communications.ashx

Sending confidential information	How can I transfer confidential information without the risk of it being seen by third parties?
Securely sending emails	How can I protect my emails so that they are sent to the recipient without any changes?
E-business processes	How can I generate trust in my processes?
Media disruptions	How can I prevent media disruptions in electronic workflows?
Digital identities and authentication	Who confirms that our Peter Miller is really behind peter.miller33@swisspost.ch?

While taking the other top ranked obstacles very seriously, Swiss Post has not only consequently and significantly invested in secure communication, but also in the production and distribution of digital identities. This is because everything which goes beyond spam is either private data or limited to the access of an individual with specific authorisations. From a technical point of view, much more trust, confidentiality and security is possible in a digital world at not very strongly incrementing cost. That is why, much more than in the classical postal marketplace, customers expect trust, confidentiality and security in e-communication and data management. While mail in the physical world was delivered to a household with a number of individuals typically living at the same address, we see no acceptance and need for an equal service level in the digital world. Almost every access to data or receipt of documents is directly linked to a single individual. That is why winning web-based business models will rely on a giant database with authenticated citizens and a unique link between physical and digital identity (and address).

The New Competitors in the Digital Postal Marketplace

Businesses monitor a strong demand for process integration without compromising on security. Banks, for example, have to be compliant with very high standards and will allow no digital communication with their customers unless strong authentication and secure communication are guaranteed. The digital equivalent today can be offered by competitors of postal operators in many countries, but the starting position for postal operators is magnificent: strong brand (trust), customer intimacy, sustainability and predictability as a company, and the possibility of providing a full portfolio and management of combined physical-digital communication to both sender and receiver.

Companies with an origin in other sectors are well prepared for entering the new digital postal market. So who are the new competitors and what are characteristics of the new demand?

"TIME-Companies"	Telecom, internet, media, entertainment companies with a strong existing customer/consumer (data) base: some Telco's and Internet Service Providers (ISP) are upgrading their existing customer relations by offering e.g. digital receipt of notifications and documents.
"Start-ups"	Companies (very often start-up like small businesses) which enter the e-postal market with a specific e-postal product
Supplier	Heavyweights supplier of the postal supply chain

Other potential new competitors are social network providers (e.g. Facebook). They might with a systematic initiative try to promote authentication for their registered users.

One significant downside of postal operators versus "TIME-Companies" is the fact that they have no contractual billing relationship to private individuals. A number of postal operators now try to leverage their address database and to motivate a relevant part of the population to activate an e-postal product account (normally some form of e-box web-service) with the ambition to become a new and powerful intermediary between supply and demand in the supply chains of any of the existing industries. While many postal operators roll out closed systems with a new e-mail address, Swiss Post is following an open system approach. Accordingly, sending and receiving secure communication is possible with any existing email address via the mail client or webmail account of the customer.

E-postal Products: Are They Killing Existing Business or Generating New Revenue?

Against a popular understanding, digital equivalents of physical registered mail are only to a minor extent substituting the physical registered mail. Mainly they substitute for unregistered mail or even more: normal e-mail! According to our analysis, the potential demand of secure e-mail (130 Billion) is about 30% of the global mail volume of today[2]. Only 8% of this potential is expected to be the result of a substitution of physical registered mail. 66% of the potential is new business for postal operators, since the secure email comes from entirely digital communication alternatives.

2 Estimated at 438 Billion items in 2008 according to the Universal Postal Union

estimated global potential demand for secure/verified e-mail		*130,595,000,000*	*100%*
*substitution of sensitive email**		*66,795,000,000***	*51%*
*substitution of mail ****	*unregistered*	*32,850,000,000*	*25%*
	registered	*10,950,000,000*	*8%*
substitution of document download (after sign on)		*20,000,000,000*	*15%*

* e.g. email communication with sensitive content will not any longer be sent as clear text email

** According to research conducted by the marketing firm the Radicati Group, there are 1.3 billion email users worldwide who send approximately 183 billion email messages every day [Dabbish, et al., CSCW'06 (November 2006)]. A very small fraction of this email volume – we estimate roughly 0.1% – contains confidential information which sender or recipients would regret being captured, interpreted and published.

*** Estimated 10% of the world demand for unregistered and registered physical mail (438 Billion) contains confidential, private information; the ratio unregistered-registered is estimated to be 3:1

Other e-postal products such as reverse hybrid mail services are complementary to physical mail. They generate additional revenue or contribute to cost reduction without eroding the demand for physical mail.

All in all, there is a certain cannibalisation effect and postal operators have the choice to leave the new market to the new suppliers. However, many operators will probably agree with Accenture's recently published research:

> "Indeed, the trend of decline in the core product is so pronounced that Accenture predicts that many operators will have no choice but to aggressively pursue pure digital solutions, fending off concerns about the extent to which it will cannibalize their existing core business, to secure their position as postal players of the future."[3]

Anticipating the Future "Universal Last Mile Service Obligation" (ULMSO)

The frequency of home delivery has come under pressure. Discussions in the USA, in the Netherlands and in Italy show that the current level of frequency cannot be maintained over time. As the expectations and the alternatives of households change, the question is not whether postal operators should try to accelerate or avoid this scenario. The question is how postal operators prepare for it. Postal

3 Source: Achieving High Performance in the Postal Industry: Accenture Research 2011, page 4

operators should anticipate the implementation of a redefined "Universal Last Mile Service Obligation". And they must be able to offer a choice for households with possibilities of receiving documents in a digital format every day if home delivery frequency is reduced.

The ULMSO needs to be defined as flexibly as the UFMSO (the first mile equivalent). In many countries, access points need not entirely be Post Offices but can also be provided in the form of a digital access or an access operated by agencies. First and last mile obligation should not be tied to a three-dimensional location – on the contrary: they need to be technologically neutral and independent from physical location. The density is a consequence of utilisation and customer behaviour. Likewise the regulatory mandate regarding frequency, format and place of delivery will have to be defined in a way that allows postal operators much more flexibly to supply/apply product-price combinations to recipients.

Therefore, postal operators must be empowered to

- Understand the dynamics and implication of the rapidly changing postal markets;
- Reinvent the supply and to offer choices in a two-sided market;
- Redefine the relationship to the recipients by moving the existing relationship of "you are a customer of my customer" into a full and direct commercial relationship: "you are my customer".

Postal operators have to be able to escape the commodity trap and have to promote actively a modern offering to their receiver customers. The future of the last mile service is not a universal service on a mandatory, extraordinary quality level of physical delivery of mail six times a week at recipients' home before noon and for free. The future is a universal service of choice. Recipients will be able to select one out of a number of available combinations of service and price elements. Overall different bundles will be of a satisfying level at still affordable prices with a basic quality service offered for free.

The consequence of a completely revised ULMSO will therefore be that service levels are aligned with customers' perceived value. Avoided costs are directly or indirectly resulting in a benefit to the whole economy.

The time for change has come, like BCG underlines in "The Postman Always Brings Twice"[4]. Their survey analysed the receiver-driven transformation of the Mail

4 Source: BCG, March 2011: "The Postman Always Brings Twice"

Business Model. One key finding is: the current service level exceeds receivers' requirements for delivery frequency.

With the ongoing volume decline of physical mail, the pressure to reduce delivery frequency will in the medium term result in a modified definition of the Universal Last Mile Service Obligation (ULMSO). The secure digital delivery will be of increasing importance. The reduction of the frequency of physical delivery will have to be introduced simultaneously as a steady digital delivery. Postal operators need not to wait for the regulatory modifications. They can start today and provide incentives to the households that are the most expensive to deliver to daily. A smart opt-in strategy will be a first important step on the way to the delivery of the future in an increasingly digital communication market.

From Strategy to Execution – Postal Partnership 3.0

Building on Trust and Access

Advanced postal operators facilitate the streamlining of internal processes of corporate customers and make them leaner, faster and more cost effective. Postal operators have to become a general contractor, a provider of expertise in business process engineering and outsourcing, and a state-of-the-art address for critical success factors in the web-based and hybrid multi-channel communication. Postal operators have always been an intermediary between two sides. They now have to translate this role into a digital world. With their trust and access to the demand side (private or business customers in their respective role as senders and recipients) they have the unique opportunity to give advice to the supply side (businesses or government) on how they can reduce cost and increase impact with a seamless, integrated and sophisticated system of multi-channel communication. But they also need technology and know-how for executing the strategy of being a general contractor for communication needs.

Postal Partnership 3.0

What is the importance (possibilities and capabilities) of co-creation and technology-sharing for the postal industry in association with the e-postal market? Postal Partnership (of the 1st generation) has a very long tradition. The key characteristic of the 1st generation of Postal Partnership is downstream interoperability. For more than 100 years, every postal operator has exchanged mail with every other postal operator because an independent end-to-end service for international mail was not possible for regulatory reasons.

Postal markets were opened product by product and country by country. More and more postal operators have started to cooperate with postal partners and their multinational networks. Key motivating factors were:

- Reduced complexity (one partner instead of 190+)
- Lower downstream cost (compared to given 'terminal dues')
- Better quality of services (e.g. track and trace)

Postal operators have meanwhile learned to share networks and the 2nd generation of postal partnership has become mature. Now, as postal service become digital, we are at the threshold of a 3rd generation of postal partnership. Most postal operators have understood that there is no way around providing e-postal products. To become a provider of e-postal products means to understand the new business model and particularly that the development and operation of products/services are dramatically changing. While postal operators have designed and operated real physical networks in the past, they now have to develop technical products. The traditional postal logistics networks which are more or less dense and which have a more or less international reach are shared with other postal operators or not. However, they could not be just copied and pasted elsewhere because they are by their very nature a geographically anchored system.

Conversely, the possibility of producing multiple clones is precisely a core characteristic and starting position of a "Postal Partnership 3.0". Postal operators are no longer focused to be a network service; they now have to develop e-postal products.

E-postal products are the combination of a technology and a marketing mix. The technology is a system of algorithms and it can principally be sublicensed from one postal operator to another, if the sources of the development of these algorithms have smartly anticipated the possible upsides of designing the e-postal products as an Original Equipment Manufacturer (OEM). The marketing mix can be redesigned locally, again with low effort. However, sublicensing products from advanced postal operators is not yet part of the DNA of the family members of the postal industry. While we easily find a lot of practical examples of sublicensed and rebranded products among suppliers of other specific industries, we anticipate a big potential and an attractive future for a lot more Postal Partnership 3.0.

Conclusion

Irreversibly the postal market continues its transformation. The e-postal market is young but the long term importance and size is very significant. In consequence of the nature of the e-postal market with its network externalities, commercial success in the future requests action today – not only on a strategic level, but also in execution. That is where many postal operators fail today.

The good news is that solutions are available. Pioneers among the postal operators, like Swiss Post, have already developed e-postal products and proceed on the learning curve. Why then should other postal operators not sublicense these e-postal products and execute the rollout of e-postal products with comparatively very limited financial resources, required time, know-how and risk? Swiss Post is one among a small number of possible partners in a "Postal Partnership 3.0", because the e-postal products have been developed not only for the purpose of a rollout in the home market, but also for sublicensing to other postal operators or their challengers.

The importance of e-postal products will enormously increase with the continued pressure on the regulation of the last mile service level for physical delivery of mail. The future is a secure but technology-neutral delivery to authenticated, registered individuals. Marketing products which are building on digital identities and providing secure, digital communication are already key competitive elements for postal operators who aim to survive.

Questions for thought and discussion

1. Who are the major competitors from outside the postal industry in "e-postal" products? How can postal operators fend off those competitors?
2. What are the barriers to entry in e-postal markets?
3. What are the potential revenue streams from e-postal products (in other words, where does or could the revenues come from)?

CHAPTER TEN
The Medium is the Message

Walter Trezek
CEO of Document Exchange Network GmbH

Mail and postal service provision is now taking place in a global village that is always "on" with the internet and the corresponding data highway. This chapter shows how the boundaries of the traditional postal sector are becoming increasingly blurred as postal companies enter the so-called digital world and compete in a new multi-media landscape. What can the post bring into this new world that is unique and will continue to secure them a role as significant players in the market? The author suggests that concepts such as security, integrity, identity, authenticity, trust and privacy could be part of a core value proposition on which the post can trade in the new world using its expertise and credentials. However, this is likely to change how we view the provision of postal services in the context of global communications and potentially transform the way that these companies operate and the kinds of products and services that they offer.

Background

As letter post provision increasingly becomes a default service, and supplementary to more widespread digital communication services, the future role of postal services as an integral part of global communication infrastructure may be determined by the extension of the postal service provision into the internet. This involves adopting a new and widened concept of Universal Service which secures the position of designated postal operators as Trusted Third Parties who will act as gatekeepers, entrusted with safeguarding the privacy and integrity of communication between senders and recipients.

There is no doubt that information and communication technologies (ICT) are fundamentally changing the way we interact. Postal services, which provide the national, regional and global infrastructure for exchanging letter and parcel post items, are fundamentally affected by this change. Postal service provision, the global nature of the postal network, the legal framework for postal services, relationships between postal service providers, as well as designations by global postal community members – all must adapt, restructure or risk being replaced.

Access to information is vital. Yet it is the form of communication itself which has become even more important. Most of today's professionals need to be connected everywhere, at all times. As communication devices become smarter, interconnectivity is no longer an option, it is a must.

Marshall McLuhan, originator of the phrase "the medium is the message", predicted that new electronic media would bring the world closer together, to create what he refers to as "a global village". The internet and its most important features – killer applications such as email, social and mobile media, ad-selling and ad-serving – are, without doubt, the fulfilment of his prophecy. People scattered across the globe now congregate together in cyberspace to share ideas and information.

Where Does This Leave Postal Services?

The global nature of digital media and its ubiquitous character are in some ways similar to what it might have been like to live in a small village several centuries ago. However, unlike living in a small community in which social norms and interactions create the foundations of civil society, today's global village lacks vital aspects of self-regulation. Today's gossip, once the glue of social intercourse, can now become a permanent reputational stain, one that no longer can be eradicated. It is accessible anywhere in the world and can be readily found in less than a second.

If only it were just gossip! Information as such becomes a commodity, one traded by companies who take advantage of all the data that is available – or made available – by using tools to exploit sites filled with private information, stored and intended only to be accessed by a limited and preselected group of people, usually innocent citizens. This data includes personal information such as food preferences, financial, credit and health ratings, credit card use, mobile phone tracking patterns, digital dating profiles, communication content of mail services, automatic messages indicating absences from home or the workplace, recent and past photos, socio-demographic data, not to mention web shopping and surfing patterns.

Everyone on the Web Has Something To Hide!

The conflict is clear: we want information to flow openly, for this is essential in a free society. Yet we also want to have some level of control over the information that is circulated about us, for this is also essential to our personal freedom.

Before putting our trust in goods, services, and particularly people, we need information which allows us to determine whether our trust is justified. It may be the case that future generations will no longer expect much privacy at all. We may even envision a future in which we can finally be honest about ourselves, or completely dishonest. Maybe our future will be much less free, with society both oppressive and uncontrollable, in which reputations can be destroyed in an instant and where past mistakes eternally haunt us and destroy future opportunities?

Once trust has been established, it becomes ever more important that this trust is neither violated nor compromised. Thus it is essential that we have the means to establish trusted common ground upon which information and communications can be exchanged securely between the parties involved.

Splitting Postal Service Provision – Logistics Versus Mail Services

Traditional postal service provision developed to meet the need for a secured infrastructure for the exchange of physical postal items – letter post items up to 2 kg in weight, and parcel post items up to 31.5 kg. A Universal Service was created in order to ensure global access, by designating national providers for each and every country worldwide. The content of each item was legally safeguarded, with any breach of the privacy or integrity of a postal item by postal service personnel being punished by law, globally.

The postal infrastructure is the communications backbone for governments worldwide, allowing them to reach all of their citizens, wherever they are. In most countries, postal addresses form the basis for advanced government. Until only recently, access to postal networks was as important as access to digital and mobile communications is now.

Letter post provision emerged in the 19th century. One might say that it was an indicator of society's stage of development. Fundamental human rights, such as the integrity and privacy of a letter post item, were enshrined in every nation's postal law by the convention of the Universal Post Union (UPU). A society's development and wealth creation could be directly measured by the growth in volumes of letter post items and communications.

Parallels with today's world are obvious. The overwhelming success of email, and even more so that of social and mobile media, have lead to a decline in physical mail volumes and – even more importantly – a substitution of postal service provision by other means of communication. In the European Union it is governments themselves who have driven this development, by pushing new digital service provision which enables them to communicate in a secured and trusted way with their own citizens.

It is true that posts distinguish between parcel post services and letter mail services. Some posts see in parcel post services a focus for future business activities. This part of the traditional postal business is increasingly becoming an integrated logistics offering, driven by e-commerce and distance selling.

The market for parcel post items is fully liberalised, and over the last decade national incumbents have lost most of this market to competitors and global consolidators. However, the extension of postal parcel provision leads to integrated, global logistic offerings based on an international parcel network and integration into customs and freight networks globally.

The Extension of the Postal Service Provision into the Internet

The 2008 UPU Congress officially adopted the extension of postal service provision into the internet as a future work item, supported by technical standards to secure trust in the integrity and authenticity of hybrid, electronic and mobile communications.

Globally postal operators were quick to understand that this represented a paradigm shift. Due to the global nature of the postal network, initiatives to enable posts to

bring the classic trusted nature of postmarks – "the mother of all date and time stamps" – into the digital and mobile age had already begun to emerge a decade ago.

Although letter mail volumes themselves are declining, the letter mail value proposition of the privacy and integrity of each item, a proposition guaranteed and globally enforced by criminal law, is vital for the future development of ICT. This privacy guarantee, plus the global nature of the postal network, safeguarded by designated postal operators in each and every country worldwide, is unmatched.

In order to upgrade this unique letter mail value proposition, posts worldwide have created an equivalent to the letter mail value proposition for the digital world, to extend the security of the letter mail piece into digital communication services.

The global postal network is regulated by a special United Nations organization, the UPU, with its members drawn from every country in the world. In 2004 (and in greater detail in 2008) the UPU created a regulated, secured electronic postal service in order to extend the postal service provision – nationally, regionally and globally – into the digital world.

In principle, posts have positioned themselves well. During the past decade a global network for secured electronic postal services has been established. The postal community has recognised the challenges that are emerging as a result of the internet and its most successful application, email.

In contrast to developments at the International Telecommunication Union (ITU), where the European member states in particular had no interest in regulating electronic communications as such, the UPU has regulated what it calls a "Secured electronic Postal Service" (SePS). These services bring the advantages of letter mail into the digital age, enabling users of such services to communicate in a binding, confidential and reliable way – just as it would be the case with a physical mail piece.

Yet again social and mobile media are driving development further. Fundamental rights such as data protection, consumer protection, freedom of speech, privacy, and safeguarding the reputation of the individual are becoming more and more important.

One might argue that postal services have had their heyday. Posts are operating in a declining market. The future is digital – physical mail communication is a thing of the past.

Most communications, even letter post items, have their origin in digital media. Letters are overwhelmingly composed and written using IT-based output systems.

So it is true to say that "the original is digital" and is stored and archived digitally. The printed mail piece is simply a copy.

So the step from a digitally composed mail piece to secured electronic distribution, whether driven by governments or postal services, is a process of evolution rather than revolution. Most would say that this evolution is due to be completed sooner rather than later.

It is therefore no surprise that postal services in countries where third-party players are large enough to have an impact on the letter post market have decided actively to drive forward themselves the evolution from physical mail to secured electronic mail. Seeing the writing on the wall, they have become proactive, adapting their own business models before being overtaken by potential competitors. Too much is at stake for major postal service providers, some of whom are listed on national and international stock exchanges.

It is a major cultural change for posts to move upstream in the traditional postal value chain, to enter the market for output management solutions and drive what is known as "electronic substitution". Whenever governments start actively to drive electronic substitution, social-demographic indicators such as the next generation, who are accustomed to new ways of communicating, kick in. The impact on letter post volumes is dramatic. Yet postal services are preferring to drive this substitution themselves rather than leaving it to potential competitors with a more limited service portfolio.

The core service provision of postal providers offers a unique proposition to the two parties involved in any letter post communication – authenticity, integrity and trust. These principles are safeguarded globally by national and international laws. This is the Trusted Third Party concept that postal service providers use as the cornerstone for future posts.

The electronic mailbox in the digital world will serve a similar purpose to the traditional mailbox in the physical world. One might argue that everyone online already has an e-mailbox. Yes and no. Currently e-mailboxes are not quite the same as a traditional mailbox – the legal obligations associated with a physical mailbox are not yet valid for e-mailboxes. However, as you read this, posts globally are going through the evolutionary process of adopting the concept of secured electronic mailboxes. All these developments are based on international standards and principles which aim at establishing global SePS networks, parallel to the physical networks which were established by postal service providers around 125 years ago and have been maintained ever since.

But Must Everyone Using Digital Media Accept the Death Of Privacy?

We all know the dangers; some have experienced them already. There is a gap between the general use of killer applications such as email, Skype and social media, and the openness of the media.

Email is even less secure than a postcard. Anyone can listen into Skype. Social media is the best tool ever invented for mining data and generating in-depth profiles, no matter whether the person concerned is willing to share this information or not.

So what is the posts' core value proposition in this new world of ubiquitous communication? Posts will enhance the core values of the analogue letter post network and apply them in the digital age. The new offering will be secured, global communication, regulated by every nation, based on technical standards, guaranteeing the authenticity and integrity of any communication exchanged using the extended postal infrastructure.

The key feature will be data security, paired with rights granted to the partners in any exchange of communication. Thus integrity can only be granted when authenticity can be guaranteed. The identity of parties to a communication must be proven. Postal services have done this for decades in the classic postal world, both nationally and globally. Although extending this core knowledge into the digital age requires new processes, the core function remains the same.

Security is a core topic in the digital village. Neither individual identities, nor preferences and profiles should be compromised. What is needed is a trusted broker, one who manages identities, profiles or even preferences on behalf of all the parties involved, ensuring that fundamental rights are protected. Postal services worldwide have understood this need and are working to extend the postal service provision into the internet by stepping into the role of Trusted Third Party themselves.

Questions for thought and discussion

1. How is the internet and digital communication world changing the context in which the postal industry operates? What are the main areas of threat or opportunity?
2. Across the spectrum of communications that extends from purely physical to purely digital, in which domains should or could the postal sector be offering services? Is it possible to focus on more than one domain?

3. What are the weaknesses or vulnerabilities of the internet and digital world? How can the post use its traditional expertise, trust and integrity to develop service propositions that will offer customers more assurance and security?

CHAPTER ELEVEN
Customer Focus with the Use of New Technologies – That's the Way for InPost

Marcin Bosacki
Head of International and Social Media, InPost

Some new entrants to the postal market are beginning to change the nature of what it is to be a post. In this chapter, we see perspectives from the recent business developments of InPost in Poland and how this is transforming the postal market. The author describes how they are changing the way that postal services are presented to the market with new and different products and services being offered. By highlighting the innovative approaches they have used, for example through social media, InPost can be seen in some ways as a role model to other posts with their positive approach, obsession with customers and innovative flare – all of which has led to dramatic and sustained business growth.

The Wider Postal Environment

The postal sector plays an important role in the global economy. According to the Universal Postal Union (UPU), the entire sector employs more than 5 million people. Over 440 billion mail pieces are processed and delivered on a yearly basis in almost 200 countries worldwide[1]. However it seems that the industry is currently losing its pace with other industries. There have been a relatively small number of innovations compared with other segments that have been widely used by consumers. There have been some discussions about a need to change the shift into *customer-driven businesses* but still not too many posts seem to do so. This chapter presents a perspective from a new entrant private post in Poland but with insights that may identify and signal areas that other posts usefully could investigate.

Looking at the European and global postal perspective it still seems to be a very monopolistic market. The liberalisation process that started in 1992 with the publishing of the Green Paper on the development of the single market for postal services (COM/91/476)[2] has not yet brought many new entrants into the industry. Despite gradual market opening by weight categories and also different mail segments it is difficult to find examples of strong competition from alternative operators. Now that full market opening has been initiated in Western European countries from January 2011 it does not seem likely that it will bring many more changes to the status quo. There are countries like Germany, the Netherlands, and the United Kingdom, each of which have more than one strong alternative player, but in other countries there is, at the most, one strong alternative with a market share not exceeding 10%. Even looking into the telecommunication sector (one that historically was bounded with postal sector) there are usually 3–4 players.

Why is the postal market like that? There are still many barriers for newcomers wanting to enter the market. In November 2010 the "'Free & Fair Post Initiative'" published a white paper on postal liberalisation listing five key conditions necessary to have a successful postal liberalisation. These are: no barriers to entry, a fair level playing field, clear universal service definition and calculation of costs, strong and independent national regulator authority and proactive Commission supervision. These are explained further in the White Paper[3]. InPost, an alternative postal

1 UPU: http://www.upu.int/en/media-centre/press-kit/fast-facts.html
2 European Commission: http://ec.europa.eu/internal_market/post/legislation_en.htm
3 Free & Fair Post Initiative – White paper on postal liberalisation: http://www.freefairpost.com/pdf/FFPI_WhitePaper.pdf

operator from Poland, together with a number of other alternative operators across Europe, listed a number of joint issues that occur in each country and are blocking further development of the industry. The topics are in line with the FFPI report but are amongst others: VAT exemption, predatory pricing / cross subsidisation and difficult access to the network.

To e- or Not to Be!

However, not wishing to be so pessimistic it is important to say that there is still huge potential for the industry, and it is up to the postal world to react to the changing business environment and begin to grow and shape the market. "The best way to predict future is to create it" as Peter F. Drucker said. That is also in the mindset of InPost management.

InPost was founded in 2006 and now, with less than five years in the market, already possesses about 10% of the addressed market share in Poland.

Two areas of business development into which leading posts currently are looking are *e-commerce* and *digitalisation of mail*. That seems to be an obvious step by postal operators. With mail in decline in many European countries and with a boom in parcel shipments, the question of "To e- or not be!" is not just a rhetorical one. Another area that most developed posts currently are looking closer into is e-documents, hybrid and reversed hybrid mail.

With wider access to the internet and all the benefits that online shopping is giving to consumers, postal operators are noticing huge increase in B2C parcel traffic. It is not the intention of the author to list benefits of online shopping as there have been many publications about it in the past. E-commerce gives a new angle of opportunities for posts as at the end of the process there is a parcel that needs to be delivered from sender to receiver. It also gives huge responsibility to meet the expectations of consumers. That group is very demanding. According to some studies buyers still have some concerns as they decide on delivery options as part of online shopping. Among these there are a few directly linked with transport such as: failed delivery as no one is at home; extra cost of shipment; late delivery; damaged parcels; and so on.

One of the solutions that are being considered and used by operators is automated parcel terminals. Three years ago, when InPost was looking into entering the e-commerce market, after advanced research the company decided to use easyPack 24/7 machines. The self-service parcel machine concepts answers the needs of consumers. According to research with senders and consumers undertaken in

2008, the crucial factors were:

- Low cost of parcel delivery
- Flexibility to collect the parcel at any time
- Fast delivery

After two years of operating its own system, InPost can confirm that solutions such as easyPack 24/7 perfectly match consumers' needs because:

- InPost has been able to cut last mile delivery costs by 80% and therefore offer the lowest delivery price on the market
- Consumers (both sender and receivers) can send and collect parcels 24 hours per day, seven days a week. In fact 37.45% of the parcels are being collected during 18:00 – 8:00 and, which is more interesting, 51% of all parcels are being collected in the first six hours from receiving email / SMS notification that the parcel is ready for collection.
- 97% of parcels are being delivered the day after collecting parcels from senders[4].

4 Source: InPost, data from October 2010–February 2011

Consumer Focus

Having the best technologies and a great team is not enough to achieve success in developing solutions for mass consumers. Proper marketing activities and a strong consumer focus strategy play an important role for today's businesses. That is probably why companies like Apple, Facebook or Google are so successful today. Those companies are successful as they are offering innovative products and services that are used by a great number of users. Innovation driven by consumers' needs should play a key role in many organisations.

In May 2011 InPost won two World Mail Awards in e-commerce and innovation. The distinguished panel of judges in the explanation for the innovation award wrote about the company:

> "[...] building on an organisation culture that is consistently innovative, entirely customer driven and reaching out in new ways to new markets and demographics. They are breaking ground by using their capability and competency to meet customer needs in new and surprising ways – and the innovative approach that they are forging is replicable elsewhere."

Sometimes there is no sense in creating new things, there are so many great ideas in the market. It is crucial to combine existing ideas and create new opportunities with new platforms (such as Facebook), partners (e.g. other e-commerce players) and technologies. InPost is constantly cooperating with e-retailers by boosting online sale for easyPack 24/7 as a preferred delivery channel. Over two years of activities it has been able to build a library of marketing campaigns dedicated to both B2B and B2C.

Social Media

As traditional ways of marketing, such as display advertisements, seem to be not so effective any more, organisations have to come up with new ideas for marketing. Using social media is one alternative strategy. This has to be done in a clever way since social networks were originally intended to be places for private interactions. It is worthwhile mentioning that 50% of Facebook users are logged in every day. How many of the younger generations (but not only these) are present in a post office or on a postal company's website? How much social mail (letters) are people sending to their families and friends? Those have been replaced by SMS, phone calls, chat or messages. According to comScore a Facebook fan that likes a certain brand on Facebook spends on average 71.84 USD more on that brand than a non-Facebook user. It is definitely something that companies should be aware of and think carefully about.

Social media is not only about Facebook. There are thousands of channels that can be used. Others can be Twitter, YouTube, Slideshare, LinkedIn, or blogs. Social media are so important in today's world because they can turn one-way communication into interactive dialogue which can be between companies and consumers and also between consumers talking about different brands. According to Cone Consumer New Media Survey, 72% of respondents feel a stronger connection with a company or brand if they can interact with it in a new media environment[5].

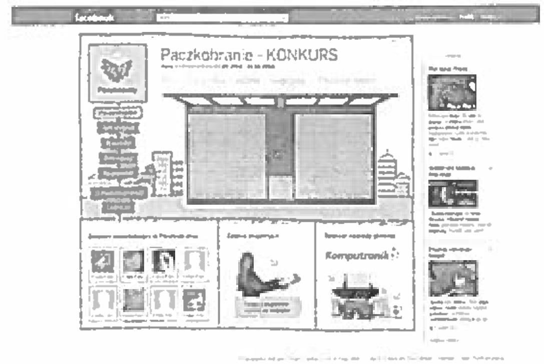
One can imagine a situation in which a consumer may be complaining about the service of a postal operator on Twitter or a site such as Facebook. If the operator can instantly spot it, then find out more information about the item and send a reply with current status that would probably surprise the consumer and turn a potentially negative issue into neutral or even positive feelings despite the earlier shortcoming.

Social media are definitely an important channel with which to interact for a target market that is very likely to be doing online shopping. In 2010 InPost undertook two campaigns, namely Parcel Sweeping and Parcel Riddle that became very successful as they brought over 180,000 fans and over 18,000 real users respectively.

"Parcel-sweeping", known as Paczkobranie in Poland, was a simple Facebook application for interacting with fans. The central point of the application was a Paczkomaty 24/7 machine that consists of 76 boxes. InPost virtually hid the award in one box. The goal of the player was to pick up one of the boxes. The first person to do it won the physical award from one of our e-commerce partners. Apart from choosing the box, users had to invite their friends to the game. Extra invitations granted players one additional chance to pick up another box. The awards had to be collected from real Paczkomaty 24/7 machines. In total the game generated over 180,000 fans in just two months.

Following the success of Parcel-sweeping, InPost started working on another step for its fans on Facebook. The goal of the second application, known as Parcel-riddle (in Polish Paczkozagadka), was to attract internet fans to test Paczkomaty 24/7 for real. InPost hid three types of award in each parcel. The goal of the user was to pick up one out of three parcels. Using hints provided by InPost, users were to guess what was hidden in the parcel. The real beauty of that contest was that users would find out whether they had won the award by going to the machine and checking out if they were the lucky ones. There were only a few main awards but each participant received a discount coupon to be used in 52 e-retailers. That was the award for each

5 Cone, 2009 Cone Consumer New Media Study provided by eMarketer, October 22, 2009



person that took part in Parcel-riddle. The results of the Parcel-riddle were that over 18,000 fans visited and tested Paczkomaty 24/7.

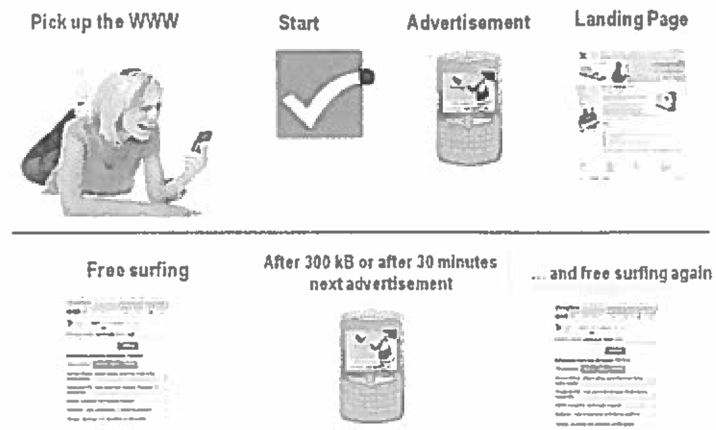
As mentioned earlier, individuals tend not to write traditional letters any more, although we all still like to receive personal letters. So why is it? Can we feel defeated as an industry? With this in mind InPost created the series of actions called *InPost LOVE* which used new technologies and cross sale of various services of the Group. Our Facebook fans could write "love letters" to their closest without a need to leave their computer. By using hybrid mail technology, on behalf of the customer InPost printed those love letters and delivered them to the addressees.

Another idea was linked with "Women Day". Not only could people write letters but InPost added a special package with a heart-shaped flowerpot and some grass and flowers. That campaign was linked with a "member get member" concept. The receiver was then asked to decide which easyPack 24/7 machine they would collect the parcel from. Within only two weeks 13,000 users, coming from these recommendations, collected those parcels and later were posting those on Facebook. The conversation rate was very high and reached 81%.

These examples were targeted to build a profile for InPost, educate consumers about the service and encourage the first use. But social media can also be used for so-called *social commerce*. E-commerce is becoming more important but it looks that F-commerce (Facebook commerce) and m-commerce will be also widely used in the near future. With that in mind InPost launched *InFlavo* in 2010. It is a Facebook application which allows companies and individuals to sell their products via the popular social network platform. The solution is already integrated with payment and delivery options. One of InPost's goals is to drive parcel traffic from purchases done via Facebook to easyPack 24/7 machines.

Will Posts Enter Mobile Markets?

Historically postal and telecommunication sectors were combined together. For the last 20 years or so, these have now become separated. However there are examples



of postal operators that are now offering telecommunication services. So called MNVO are offered, inter alia, by Poste Italiane, CTT Correios and a few others.

InPost entered that market in Autumn 2010 and now offers two services, namely Carrefour MOVA and FreeM. The first is based on a loyalty programme where customers doing shopping at the supermarket chain Carrefour receive free minutes for money they spend shopping. FreeM is targeted to the younger generation where people can browse internet pages for free. Only once in 30 minutes are they obliged to see an advertisement displayed on the device screen. That allows for successful geotargeted campaigns.

The first results are based on the "free minutes for shopping" model and view2surf advertising. They are very positive and are as follows:

- There is a 15% bigger market basket when using "free minutes for shopping" compared to the average base (during the survey customers declare more than 50%)
- There is a 10% increase in demand for selected products in targeted marketing promotions
- There is a more than 100% higher rate of viewing mobile advertisements using view2surf technology
- The satisfaction rate for full-screen mobile advertisements is high

Summary

The postal market is currently undergoing a lot of changes. Trust which has been its strong ally is helpful but will not be sufficient to enable a post to survive in the current business climate. The world is moving fast and therefore fast decision-making processes and quick time to market is crucial in order to succeed. All the activities should be totally customer-driven and the customer should be in the forefront of everything the business does.

Therefore in every business it is important to understand the profile of your target customers. InPost recommends the full potential of exploiting the opportunities now available through social media. It is not an easy field, and it is changing all the time, but with a proper marketing strategy and tailored approach the company can achieve success. "'Out of the box thinking'" and looking from the perspective of the consumer will help! That is the way for InPost.

Questions for thought and discussion

1. What are the main features of the changing market that the author describes in this chapter?
2. What can be learnt about "leading" or "following" in the market from some of the innovative new product/service examples given by InPost?
3. How can the social media be exploited by conventional posts as a means of interacting with large numbers of consumers? What other new media opportunities could postal operators explore in other market sectors?

CHAPTER TWELVE
New Technology in the Post is an Opportunity Not an Adversary

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Like many traditional postal operators, Saudi Post faced many challenges of modernisation, including the need to embrace technology and become relevant and trusted by the modern consumer. The journey they took and the carefully articulated strategy they adopted is described in this chapter, addressing the key development priorities. Heavy investments were injected into new processing equipment, staff development, IT systems and distribution centres to bring the organisation up to world class standard. Moreover, Saudi Post not only developed a world-first innovative address system to solve the chronic problem of a lack of coherent addresses in Saudi Arabia, but also used the opportunity to link this address to a unique email address to bring in the first single universal address. They also ventured into innovative solutions designed to cater to the needs and behaviours of future generations. The pioneering E-MALL is one example of an innovative solution designed to attract both traders and consumers into to the e-commerce arena. The solution was carved out diligently to provide all the pillars of a satisfactory virtual purchasing experience under one umbrella.

Challenges Facing the Oldest Government Agency in Saudi Arabia

The post service is the oldest government agency in Saudi Arabia. The service commenced as early as the formation of newly united Saudi Arabia and was used to move government mail over the vast area of the country. It started by being a simple means of transport with few outlets and grew gradually as the country developed and grew bigger. While the service was used in the beginning mainly by government to deliver its mail, later it was used by citizens and businesses to carry their personal and business communications.

In an era of small cities and traditional communities it was easy to deliver mail. As time went on, the economy grew, the population propagated, towns became cities, and cities became mega-metropolitan areas. All of this was happening with the complete absence of a coherent address system.

The simple system and subgrade infrastructure did not hinder the mail operations in the early stages of the developing nation. However, in the late seventies and early eighties the oil boom brought large numbers of foreign workers to the Kingdom of Saudi Arabia. Consequently, mail grew exponentially and the need for proper delivery of mail for both businesses and individuals brought pressure to modernise the postal services. The oil boom itself created numerous opportunities to invest in all facets of infrastructure development in Saudi Arabia and the post was not an exception.

However, in spite of good intentions, due to the absence of a reliable address system Saudi Post could not cater for these needs. The management then resorted to expanding post offices and populating them with thousands of centralised PO boxes. However, these boxes were quickly oversubscribed by the desperate mail recipients. This solution relieved the main problem but did not solve it. The last mile delivery almost vanished and the service was reduced to "if you want your mail come and get it".

This situation was not appreciated by the government or the consumers. However, because of bureaucratic constraints and traditional low service levels associated with the civil service, no major developments were introduced for almost two decades. At the same time, the postal sector across the world was a troubled service industry fighting for survival against aggressive "replacing" technologies.

In Saudi Arabia, volumes were going down and courier operators were gaining market share in the high value express service. In addition, and due to years of bad

service, new management was needed to rejuvenate the organisation and regain the customers' trust. The task was daunting.

With the numerous reforms led by the Saudi government and the drive to privatise many public sector services, Saudi Post was upgraded in 2004 from a directorate in the Ministry of PTT to an independent government corporation with a mandate to transform the mail service to a world class service. The corporation was mandated to conduct business in a commercial way and its authorities were liberalised.

A new management was mandated to transform the old stagnant organisation. It is not uncommon for a new management team to face a lot of obstacles in its new assignment to transform an ailing organisation. Amongst many issues the new management had to deal with were poor postal infrastructure, absence of a national address system, a discontented and bureaucratic workforce, and a limited product base. Those were just some of the challenging issues facing the new management of Saudi Post, who were appointed to lead the turnaround of this incumbent postal operator after years of stagnation.

Reform and Modernisation

The new entity had to deal with numerous issues including the weak operational structure, since Saudi Post did not have the ability to deliver mail to residences or businesses because of the lack of a reliable address system and dependence on PO boxes. This was accompanied by weakness in the operational infrastructure including inadequate mail management, sorting and processing. Modern mail required sophisticated information processing systems and a large investment in communication and computer equipment and systems. Administrative difficulties caused by the bureaucratic service system and a general lack of flexibility made it difficult to manage services competitively. Shortages of quality professionals and inability to attract proper talent to this old civil service organisation were major hurdles facing the progression and development of Saudi Post.

Rigid financial regulations and the absence of relating expenses to revenues from the state budget setting process contributed to the inability to manage the sector profitably. Consumers also developed new mail habits together due to their bad experiences over a long period of time which complicated the management efforts to regain consumer trust in the mail service. So a strategy to develop infrastructure and embrace new technology was needed.

A Strategy to Develop Infrastructure and Embrace New Technology

To deliver on its mandate the executive team devised a long term strategy composed of three phases:

Phase1

1. Provision of modern mail infrastructure
2. Development of advanced mail products
3. Commence the organisation and protection of the mail services

Phase 2

1. Provision of mail services through the private sector and the commercial arm of Saudi Post Corporation
2. Regulating the Post Sector

Phase 3

1. Privatisation of all mail services owned by Saudi Post
2. Liberalisation of the Mail Sector

In its efforts to implement the business part of this strategy, Saudi Post management began by investing in the modern infrastructure necessary to support a modern mail service. That included the following:

- Saudi Post developed an innovative and "world first" addressing system. The address followed world standard address formats that are formed of a unit number followed by street name, a zip code and the city name with a unique extended zip number. Moreover, the intelligent design of the address allowed rapid application and numbering of units, easy linkage to GIS systems and simple identification by OCR readers. It was complemented by developing a parallel email address formed using the unit unique numbers @ the zip code. This led to the first known universal address in any country of the world.
- Saudi Post invested in new sorting equipment and other supporting handling equipment in the major sorting centres to provide the necessary technology and equipment to optimise sorting operations and run efficient mail handling.

- Heavy investments were injected into IT systems in all areas of operation, management and support coupled with the adaption of advanced communication networks and latest hardware.
- Saudi Post completely overhauled the transport and distribution network and equipped it with navigation devices connected to central control to optimise the distribution activities. This was complemented by employing new distribution and delivery teams equipped with hand-held devices used to capture, record and communicate all transactions.
- Introduction of modern management and quality systems to cope with modern day customer expectations and demands.
- Saudi Post planned to introduce "world equivalent" products like prepaid mail and started developing infrastructure for hybrid mail. It overhauled the EMS range of products and service levels. Parcel products were redesigned and developed. IT was exploited fully to provide trace-and-track service. Retail outlets were revamped and staff trained to provide courteous customer service.

Changing Landscape Carries Blessing in Disguise

While introducing all these developments Saudi Post management was conscious of the changing landscape in the letter business. New telecommunication forms were replacing a lot of personal letters and business communications. However, direct mail, the major source of mail items in most advanced countries, was almost non-existent in Saudi Arabia. International courier companies were encroaching on Saudi Post express document and parcel market share. Meanwhile, Saudi consumers' loss of confidence and weak use of mail did not help to recover the lost volumes. All of that, coupled with changing consumer expectations, cast a grim shadow over of the future of the postal industry in Saudi Arabia.

To counter this negative and depressing outlook, Saudi Post based its new strategy on the fact that the real impact of modern communications and internet access also carry a lot of opportunities for postal operators. E-commerce and e-government applications have exploded worldwide, allowing people to order their documents, services and merchandise through the internet where they expect to receive them in their residences and offices. This signalled a consequential and substantial growth of parcel movements in the future as most of the end products are physical in nature and substantial in value.

These developments were magnified by a very promising demographic outlook. Saudi Arabia is one of the fast-growing countries in the world and the majority of the population was under 15 years old. The level of embracement of new technology, computer ownership and internet growth are amongst the highest in the world. Internet penetration in the Kingdom of Saudi Arabia exceeded 9 million users or 36% of the population and is expected to grow faster in the future. In the light of this, Saudi Post designed its strategy to be ready for e-government and e-commerce expansion.

Focus on e-government initiatives was also aligned with the government's strong initiative to transform all government services to e-transactions. E-government initiatives were built on clear objectives, generous appropriations, aggressive follow-up and review programs. Many e-government initiatives were developed between Saudi Post and some government departments and several products have already been launched.

The Journey into e-Commerce

On the other hand, e-retail volumes were low as the current estimate of $39 million sales in the Kingdom of Saudi Arabia were extremely small compared to hundreds of billion dollars of retail sales worldwide. The main reason was the absence of genuine retailers' initiatives and the few programs launched were unsuccessful due to many factors. Absence of comprehensive service offerings and trustworthy marketing programs are just few reasons. Likewise consumers needed someone they could trust to walk them through this new uncharted territory. There were question marks on the reliability of sellers, absence of payment options and of course the lack of trust in the mail delivery.

E-retailing was poised to explode and Saudi Post had to take the initiative and use the right "levers" to kick-start the sector launch. So Saudi Post decided to take the initiative and incentivise consumers to try and use internet purchase opportunities and activities. At the same time it wanted to do it with reliable merchant partners. This was difficult in the absence of strong e-retailers who can develop the right proposition to attract the hesitant consumer. This led Saudi Post to launch one of the first pioneering e-retail projects by a postal organisation anywhere in the world. The E-MALL project was developed to pioneer future forms of remote purchasing using the internet.

Saudi Post E-MALL

Saudi Post wanted to provide a full solution that would attract both retailers and consumers and walk them through this new experience. The difficulty was not in convincing them to embrace this selling/purchasing channel, since both groups were aware of its growth internationally. The challenge was quickly to get traders to exhibit their goods in a proper and attractive form, provide them the confidence in the payment method and also the assurance of a reliable delivery service. The same was needed at the consumer end with a focus on the attractiveness of the exhibited merchandise. Other than that, the consumer simply wanted to be able to pay conveniently and get proper delivery service. The design of this project was carefully carved to reflect these needs.

The whole concept is built around four dimensions giving an integrated customer experience:

Customer Management

Saudi Post needed to develop and execute all the programs and activities to attract the customer and "court" him during his virtual shopping tour. This transcends the usual marketing and promotion tools developed to entice the customer to visit the E-MALL and wander around in its numerous shops. It includes providing attractive propositions to convince the customer to commit to purchasing the products on offer and also includes providing the right interaction in every step in the whole process. Things like attractive site design, simple organisation and proper links and transfer icons are important tools to manage a good customer experience.

Service Management

Saudi Post diligently designed the merchants' interface and their products pages to provide ready-to-use catalogue pages and products display. It included an upload interface for the traders, check-out integration with orders communication and service-providers notification. The process includes providing full information on placed orders and making it available to the customer and the customer service agents.

Payment Management

One of the obstacles in e-commerce has been the provision of reliable and secure payment systems. These should ensure ease of processing and contain guarantees of security. The availability of several options is very important to avoid losing some customers due to non-availability of alternative payment modes. Saudi Post provided the two possible options available in the country. The worldwide recognised credit cards are accepted and processed for payment of purchased goods. Also the national Saudi SADAD payment method is supported. SADAD is a single platform that links different billers and banks to enable the consumers to use the electronic channels of any bank to pay their bills any time of the day.

Delivery Management

While this was naturally the main core business for a postal operator and the main objective of the whole development, Saudi Post needed to ensure more than just regular service. Saudi Post service was the first pan-Kingdom operation to provide doorstep delivery and now Saudi Post needed to structure a special collection system to receive products from traders and this required proper coordination and agreed service levels. Handling various sized shipments and managing delivery time windows were studied carefully and proper infrastructure was provided.

The SP E-MALL is established as a major project to grow Saudi Post core business and a major diversification project that will provide important revenues to support future growth. The vision is to make this a virtual mall that houses numerous shops of all sizes and specialties. E-MALL will also be available to small businesses and "cottage industries" to display their crafts and homemade specialties. It will serve them wherever they are based in the Kingdom to sell their products to whoever orders them anywhere. The vision is also to develop the E-MALL to house international stores as well so that citizens of Saudi Arabia can purchase from international stores through Saudi Post who will be able to provide them with all the advantages of purchasing locally. Delivery will be done through its trade mark international delivery service "Wasel Alami". Also local products and crafts from Saudi Arabia can later be offered to international customers with delivery organised through Saudi Post's network of international delivery partners.

Saudi Post understands the changing consumer trends created by technological developments and has carved sound strategies to address these needs. Saudi Post launched this 360 degrees E-MALL solution to provide a major response to these challenging times. It can be found at www.e-mall.com.sa

Questions for thought and discussion

1. What are the main challenges facing any traditional post that needs to modernise and transform their inflexible and bureaucratic organisation? What key steps were taken on this journey and what was most important about each phase?
2. Saudi Post stressed their focus on developing a unique addressing system – what does this suggest about the strategic significance of the physical address and door-step delivery as a core competence for most postal operators?
3. What are the main challenges and opportunities for engaging customers, retaining or regaining their trust, staying relevant to new generations and making the consumer experience easy – and how did Saudi Post find ways of doing this, especially with the E-MALL?

CHAPTER THIRTEEN
Hybrid Mail is Helping Developing Countries Transform

Touhami Rabii
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Hybrid mail incorporates the convergence of physical and electronic solutions and leads to new strategic opportunities. This principle is being explored by innovative postal operators, but recent surveys have shown that emerging countries are discovering even greater benefits from this technology. These operators are using hybrid mail to get ahead by exploiting the power of digital communication with their universal reach. They improve their quality of service whilst boosting the letter business with new offerings and services.

Introduction

Hybrid mail is currently a natural part of many posts' portfolios and is offered as one of many services to improve the postal service. At least that is the case with the "leading posts". Now emerging countries are using hybrid mail to diversify as one of many initiatives to improve their services. The need to embrace new technologies, to improve service and to implement a strategy of diversifying the business are all messages that came out very clearly during the 2010 Universal Postal Union Strategy Conference in Nairobi, Kenya.

For hybrid mail the results have been overwhelming and have shown that this may be one of the most important ways for postal companies to leverage their strengths and make a leap into the future, using available technologies.

Challenges for Emerging Posts

Hybrid mail is simply the concept of giving the postal company your data to make letters, rather than giving them the physical letter itself. It was originally introduced to make it easier for senders to create and send letters. By doing so, posts could also provide a better service, achieving this by performing most postal functions electronically, then printing the letters and leaving only the last mile delivery for the physical post. One main secondary advantage for the post was that such a link tied them closely together with their sending customers, thus providing a platform for increased cooperation and cross-selling.

For these reasons hybrid mail has been one service that has been very welcomed in many posts' portfolios and most advanced posts nowadays have one or more hybrid mail offerings. The move towards electronic delivery channels and other electronic services has placed hybrid mail at the epicentre of the development of an electronic postal strategy in many posts. Electronic delivery services, scanning of incoming letters ("reverse hybrid mail"), electronic notifications and web messaging portals are just a few of the many services that are refreshing and re-invigorating the concept of hybrid mail.

Now emerging posts, recognising this shift, have been introducing hybrid mail gradually, and the transformation of their businesses has been overwhelming. Emerging posts often have a less automated infrastructure and the introduction of hybrid mail for many is a considerable technological challenge. It also often represents a huge investment, and the recent UPU report on postal economics in developing countries[1] highlights the differences and the challenges.

1 Jose Anson, Rudy Cuadra, Altamir Linhares, Guillermo Ronderos and Joelle Toledano, 'New Postal Economic Models for Developing Countries', Universal Postal Union, 2009

In the UPU report many differences between the advanced and emerging posts are outlined and analysed. These are summarised in Table 1. The advanced posts have high volumes, high automation and top quality of service to their customers. In such a context the introduction of hybrid mail is merely a logical extension of the services offered. At the same time the introduction of hybrid mail gives the perfect platform for the development of new electronic services, since a number of major senders will already be delivering their mail volumes in electronic format to the post.

	Developed countries	Developing countries
Letter volumes	High	Low
Drivers	B2C driven traffic	B2C may not be a driver
Salaries, level of automation	High	Low
Delivery	High scale home delivery	Not always home delivery
Payment model	Sender pays for delivery	Shared between sender and recipient
Universal service	Efficient delivery everywhere at low prices	

Table 1: Differences noted in UPU report on postal economics in developing countries

For advanced and developed posts an existing and efficient hybrid mail service will open up the opportunity for new electronic delivery services, and serve as a catalyst to the development of many other electronic services. This has been observed with the posts in the Nordic countries, which are frontrunners in the adoption of postal electronic services. The existing strength in hybrid mail provided the initial volumes, and also provided a trusted and close electronic interface to major senders. This gave an immediate market value to other ranges of new electronic services.

For the emerging posts the situation is very different. The volumes are usually much lower, and they are not always driven solely by businesses communicating with consumers (B2C mail). Letters do go from business to consumers, but much of the mail volume is mail between businesses, government and consumers alike. This does require a different approach to the introduction of hybrid mail.

The delivery model may also be different. In many emerging countries most delivery is done to PO Boxes and not to the recipient's physical address. If there is home delivery of mail, this may be in dedicated delivery spots, as each household does not necessarily hold a letter box. On top of this, this delivery pattern is often combined with a simpler and slower delivery speed. For receivers of mail – businesses and consumers alike – this gives a "less than perfect" mail delivery situation and not such a good platform for launching new hybrid services.

The "Mobile Leap" Goes Postal

However, let us reflect on what happened with mobile phones over the last decade. In emerging and developing countries there was no established platform, indeed no extended and reliable telephone network. As mobile telephony technology became cheaper and more widely available and the need for real time communication was there, mobile phones became an instant hit. More than that, there was no need to lay down copper wires or fibre cables into the ground any more: all that was needed was to set up mobile telephone masts in a network.

In many ways the distribution of mobile phones has done a lot of good for communication in the emerging countries. Customer response has been immediate and today the coverage of mobile phones in emerging countries is huge, enabling fast, reliable and often cheap communication across the country. This widespread use of mobiles gave telecommunications a quantum leap forward and is now opening up mobile access to networks in general (and the internet in particular).

The emerging posts are now seeing the opportunities for a similar "leap forward" with hybrid mail. Yet emerging posts have many challenges. Those that have introduced hybrid mail see that it is a catalyst to improvements in their main business in many areas, mainly in delivery time and delivery quality, letter quality, mail volumes, postal services and new electronic services.

It is well known that hybrid mail will immediately give an improved delivery time, since letters can be produced close to the point of delivery, as well as in the right sequence and quality. However hybrid mail also improves delivery time upstream: the sender can get his letters into the postal logistic much faster. This is especially true for senders living some distance from a central sorting centre. Also hybrid mail will ensure addressing quality by only allowing letters with correct addressing to be distributed. It may even correct erroneous addresses (or temporary moves) "on the fly".

Delivery time and delivery quality is often regarded as the prime factor for the development of postal business in emerging countries. This is why a lot of effort is put into this, and why an increasing number of posts are moving from PO Box delivery to street address delivery. The customers of the post are quick to react to these changes. Those that have improved on delivery speed and delivery quality have seen an immediate increase of mail volumes, combined with an increased trust in delivery by the post.

Hybrid mail is also helping to improve the quality of mail. Letters from hybrid mail are normally produced with high quality printing and are designed to ensure the best possible delivery service (size, stiffness, readability of the address, etc). On top of being "good letters", hybrid mail may add services and additional value to letters. Registered letters with various levels of receipts, express and other delivery classes, sorting, sequencing, just to name a few. By applying barcodes in the address window, services for tracking, handling of return mail and much more, can be added.

Changes in the Market

Senders are acknowledging the many improvements offered by hybrid mail, and the emerging posts offering this service see their business improve. Mail volumes are moving up as senders perceive the written letter as an efficient communicator, with increases especially in B2C mail. The value of mail is also increased with use of new services and better use of existing postal services. The general mail service is perceived better, thus strengthening the brand of the post.

Some emerging posts are already using hybrid mail as their platform for extending the reach of the post into various postal electronic services. The close link with senders and recipients alike opens up the opportunities for a faster adoption of electronic notification, web enabled services and electronic delivery. Today one may type in letters on a web site (or upload a file) and have it printed and delivered by hybrid mail – as a letter or as a message in an electronic mailbox.

One good example of this is Tunisia Post. With a size about double that of Portugal and 10 million inhabitants, this Post handles 100 million letters annually. Since the introduction of hybrid mail in 2004, the share of letters sent via this service has grown from less than 5% to now an estimated 25%[2]. Meanwhile the use of associated electronic services has grown, and the ICT business has been growing

2 Source: Statistics from UPU International Bureau

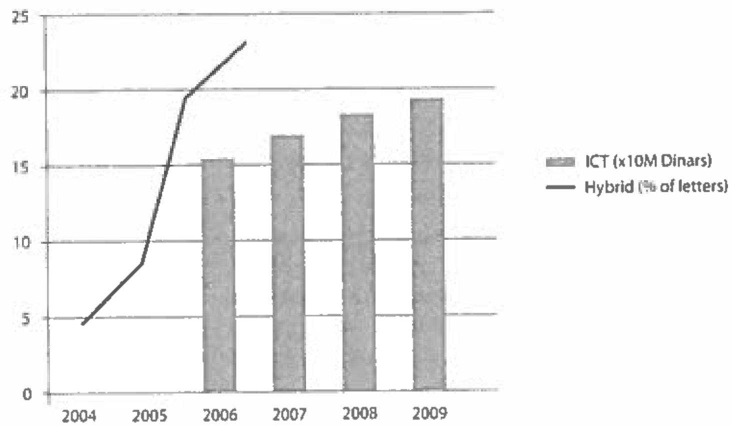

Figure 1: Growth of hybrid mail was breaking the ground for a huge success in more ICT services in Tunisia Post

in the last many years (to €125 million in 2009[3]). Many new services have grown out of hybrid mail and rely on this service for the creation and dispatch of physical letters. And despite the global financial crisis, the success of hybrid mail seems to keep on growing.

The conclusion is that hybrid mail may very well be the best service to increase the usage of mail and the value of the physical letter in emerging countries. By leveraging on improved letter quality, an impressive lift in the postal service quality and an abundance of new postal services, hybrid mail is not only improving the image and use of post, it is reinforcing postal communication in the digital era.

Questions for thought and discussion

1. Why are the challenges associated with hybrid mail different for so-called advanced posts compared with emerging posts?
2. What could be the implications for the postal industry globally if hybrid mail "takes off" in developing countries in the way that the use of mobiles has done?

3 Source: Tunisia Post Annual Report 2009

3. Do posts who venture into hybrid mail risk getting swallowed up into all kinds of electronic services that are outside their core competence or is this the only route to stay in the market and reinforce physical mail delivery as a component of integrated media solutions?

CHAPTER FOURTEEN
Development of Climate Strategy for Postal Companies

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This chapter explores how the postal sector can approach sustainability strategically. Given the significant environmental impacts associated with transportation, the focus is on how postal companies can reduce their carbon emissions by the implementation of a climate strategy. To illustrate this the authors present examples from Posten Norge, the largest transportation and logistics company in Norway. Posten Norge developed a new climate strategy in 2009, and aims to become number one in IPC's environmental ranking by 2015[1].

1 We would like to thank Posten Norge, and HSE Director Johan Swärd in particular, for their generosity in sharing information about their climate strategy for this article

Background

The issue of sustainability receives much attention in public debate today, with many businesses having entered the arena over the last couple of decades. The challenges of sustainability are global in nature; they do not acknowledge national or corporate borders, and rounds of intergovernmental negotiations have revealed a governance vacuum. With the limited power of transnational agencies like the UN compared to the sovereignty of states, it has been difficult to get agreement on ambitious action plans. Businesses, however, are becoming more and more globalised, and therefore have a vital role to play in closing the governance gap. In addition, addressing sustainability challenges has the potential to generate clear business benefits through securing market access, and improving the bottom line through cost reductions or top line revenue growth through innovation. For the postal industry the environmental aspects of sustainability impacts the core of the business, creating opportunities to reap significant business benefits as well as playing a role in advancing the global sustainability agenda.

According to the 1987 report by the World Commission on Environment and Development (known as the Brundtland Commission), sustainable development is: "development that meets the needs of the present without jeopardising the ability of future generations to meet their own needs". In line with this, but taking a business perspective, we view sustainability or corporate (social) responsibility as how enterprises balance the realisation of their business objectives with their wider responsibilities to the environment and to the society at large. Sustainability comprises three pillars; the economic, social and environmental (see illustration in Figure 1).

The significant proportion of all carbon emissions associated with oil consumption in the transport sector highlights the necessity of a sustainable approach in transportation. Indeed it is transportation-related issues that dominate the climate agenda for most postal companies. Though the most pressing environmental issues vary to some degree by company, depending upon which parts of the value chain the business covers, there are important similarities in the issues that all postal companies are facing. Overall, the key issues for the postal industry relate to efficient transportation, efficient use of fuel, use of alternative energy, route optimisation, waste, choice of materials, and the heating and ventilation of buildings (as illustrated in Figure 2).

In response, some postal companies are now looking at alternative distribution models, such as collaborative urban distribution and regional hubs for non-urban

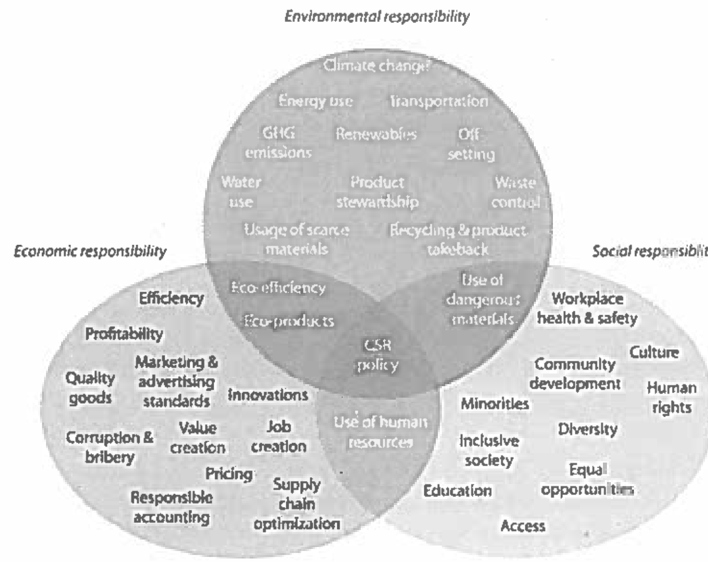

Figure 1: The three pillars of sustainability

areas. Collaborating with suppliers, customers and even competitors to optimise their distribution networks, they are achieving reductions in both emissions and costs.

Developing a Climate Strategy

Developing a climate strategy is an important component of creating a strategic approach to sustainability. To progress from optimistic visions and ideals about sustainability to seriously addressing climate change, it is necessary to start with some hard facts. Some key questions to be addressed in order to get started are:

- What is our carbon footprint today and how in practice can it be reduced?
- What are our strategic options with regards to developing environmental leadership?
- What will be the business impact of different environmental approaches?

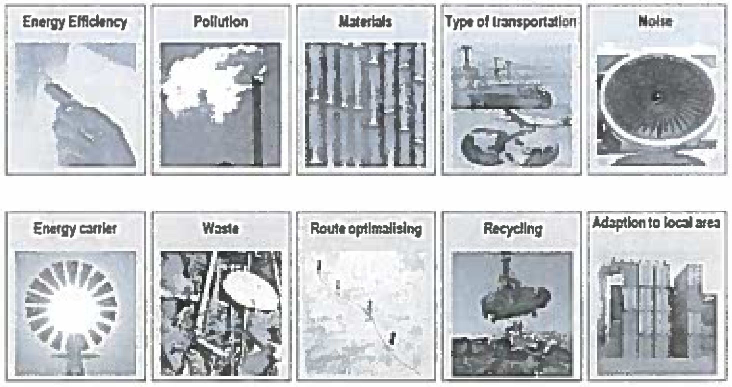

Figure 2: Environmental issues facing the postal services industry

- What practical actions are required to pursue the different environmental approaches?
- How will the environmental and financial impact of those approaches be quantified and measured?

In order to address these questions in a systematic way, we have developed a five-step approach to a climate strategy, which has been applied successfully to numerous businesses:

1. Establish the organisation's baseline carbon footprint
2. Outline future scenarios for the industry for key environmental drivers
3. Define strategic options related to distinct environmental positions
4. Evaluate the strategic options and decide on ambition level
5. Implement initiatives needed to achieve the environmental targets

In the following sections, we will go through each of these steps, highlighting key activities and critical success factors.

Step 1: Establish the Organisation's Baseline Carbon Footprint

When developing a climate strategy, one of the first activities is to establish the current carbon footprint of the company. This is achieved by measuring the amount of CO_2 and other greenhouse gases emitted by the company's operations. As part of this activity, the company must set the scope of their carbon footprint, deciding which of its activities should be included. For example, should suppliers' emissions and/or employee commuting be included in the carbon footprint?

The greenhouse gas (GHG) protocol, developed by The World Resources Institute, gives useful directions to determine the reporting scope. It also gives precise guidelines for the conversion of different activities such as transportation by air, train, sea and road, into carbon emissions[2]. It may also be necessary to check with national environmental agencies as some national governments set national standards and conversion factors to be used when formally reporting.

In the postal industry most carbon emissions are related to the transportation of mail, parcels and cargo. The chart below shows the distribution of the carbon footprint for Posten Norge in 2008. This footprint was calculated as a baseline when developing Posten Norge's level of ambition and their carbon targets.

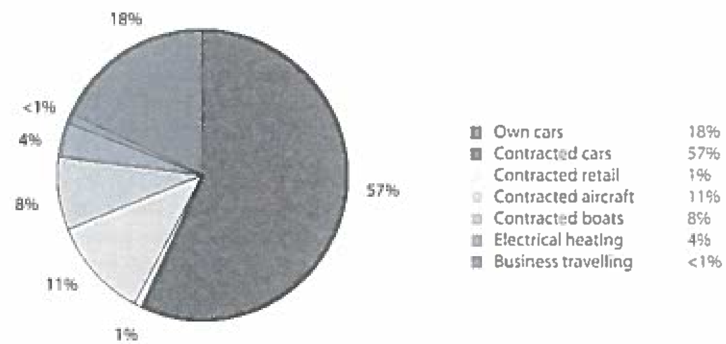

Figure 3: The composition of Posten Norge's carbon emissions as of 2008

2 See http://www.ghgprotocol.org/ for information on calculating carbon footprints

Step 2: Outline Future Scenarios for the Industry for Key Environmental Drivers

Scenario analysis is a useful tool when attempting to predict the way that climate issues may impact the industry in the future. Aside from the energy sector, the transportation and logistics industry arguably faces one of the biggest challenges in responding to the climate challenge. Ambitious targets on global and national levels (for instance the EU's ambition to reduce carbon emissions by 30% by 2020) are most likely to be followed by increased regulation. At the same time postal service companies are likely to be faced by significantly increased fuel costs and potentially increased demand for "greener" products.

Looking five to ten years ahead, postal companies must consider the business impact of new regulations, increased fuel costs and changing customer demands for postal services. They must decide whether "greener" postal companies will develop competitive advantages or whether "green" products will represent only costly niche products. Finally they must consider the risk of not taking action.

By employing scenario analysis techniques to investigate possible future scenarios, companies can test assumptions on the likely outcomes and the value of different environmental strategies.

Step 3: Define Strategic Options Related to Distinct Environmental Positions

Having investigated scenarios where environmental performance actually creates competitive advantage, the next step is to identify the strategic options. One approach is to categorise the options using a quadrant based upon relative environmental performance and environmental reputation. This approach makes it possible to identify distinct strategic positions.

Figure 4 illustrates three distinct strategic positions which could be taken, reflecting different levels of ambition. Using the carbon footprint as a measure of environmental performance, it is then possible to quantify the different strategic positions in terms of carbon reduction targets. It is, however, important to keep in mind that such targets may need to evolve over time and that any environmental leadership position requires a dynamic approach in order to adapt to the changes in regulation, the competitive landscape and the introduction of new technologies.

When Posten Norge was developing their environmental ambition level, three different levels of carbon reductions targets were identified, representing different strategic positions:

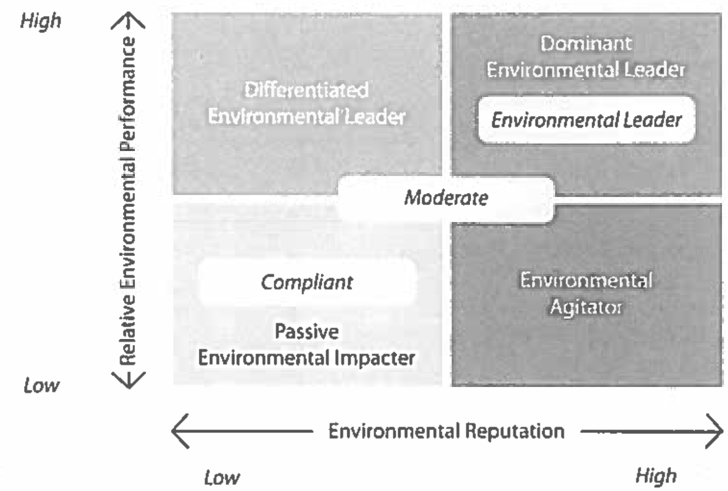

Figure 4 Generating strategic positions.

1. Continue with the present level of engagement and reducing the carbon emissions by up to 10%
2. Increasing the invested time and money to achieve a 20% reduction in carbon emissions, or
3. Show true commitment to climate issues by setting the carbon reduction target at 30% by 2015

These three different alternatives were analysed based on their different financial, environmental and strategic implications for the corporation.

Step 4: Evaluate the Strategic Options and Decide on Ambition Level

In order to determine an ambition level, postal services companies have to assess the business impact of reducing carbon emissions. This is the most demanding exercise and requires information about potential initiatives as well as adequate modeling tools to quantify and simulate both carbon impacts and the business case effects of different initiatives.

The most important initiatives to support carbon reductions in the postal services sector are likely to be:

- Modal shift – moving goods from road and air to rail or sea
- Alternative vehicle strategy (increased use of electric vehicles, bicycles etc)
- Alternative fuel (increased use of low-emission fuels, e.g. biofuel)
- Upgrade fleet (technical upgrade or renewal to deploy a more energy-efficient fleet)
- Eco-driving techniques (reinforce eco-driving among drivers)
- More efficient route management (increase capacity utilisation by efficient route planning)
- More energy efficient heating of buildings
- Greening the product portfolio (moving customers to greener products, e.g. reduced transport by air)
- Assessing the overall postal distribution model (adapting the frequency and speed to allow greener products if possible, for example: reduced transport by air or reduced delivery frequency to consumers from six days to five days or fewer)

The majority of these initiatives have the potential to generate both reductions in carbon emissions as well as reduced costs. Many will deliver instant reduction to the cost base (as e.g. implementing eco-driving techniques) while others have the potential of delivering longer term cost savings but with an upfront investment cost (e.g. investing in more energy efficient vehicles).

When Posten Norge decided upon its 30% carbon reduction target by 2015, the target level was linked to emissions-reductions across a broad portfolio of initiatives. Figure 5 shows the breakdown of their target by initiative. The importance of considering the extended value chain was evident with reductions to be achieved in the supply chain representing a large proportion of the emission-reductions for Posten Norge.

Step 5: Implement Initiatives Needed to Achieve the Environmental Targets

In many ways, executing and following up a climate strategy is the same as any other strategy implementation and transformation process. Ordinary project management tools such as reporting on the progress of initiatives are essential, as well as ordinary transformation management know-how.

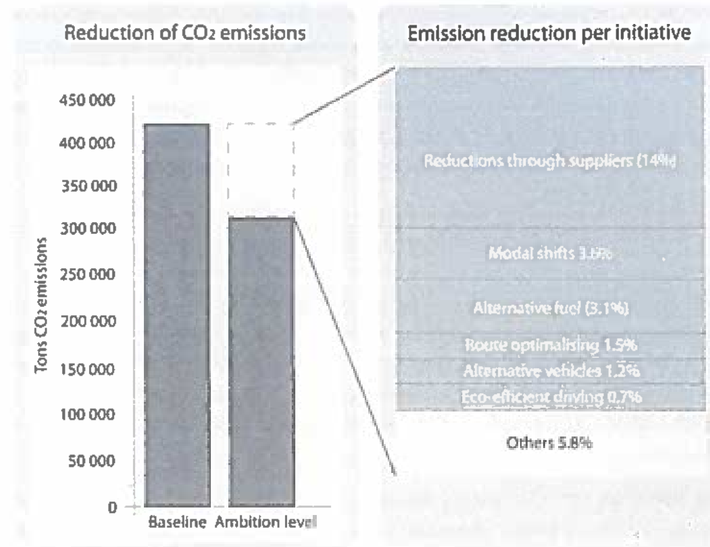

Figure 5 Breakdown of how Posten Norge is to reduce their CO2 emissions per initiative

As sustainability is a relatively new focus area for most businesses, it must be integrated into all levels of the business (management reviews, work processes, governance, reporting etc.) if real change is to take place. Top management involvement is crucial when implementing a climate strategy, in order to avoid sustainability becoming just an add-on to the business. Posten Norge confirms this, stating that the dedication and interest of their CEO has been absolutely critical for gaining the right momentum in their execution.

Developing a climate strategy tends to involve the breadth of the organisation. Often responsibility is divided between one or more functions at headquarters responsible for setting the strategic direction and then coordinating the work and employees of the various units within the organisation that are responsible for integrating sustainability into the day-to-day decision-making. With time, as with any important focus area for an organisation, sustainability issues need to be built into the organisation's governance model.

How this is achieved will depend upon the existing governance model in the organisation. In organisations where the governance tends to be formalised to a large extent, using tools such as the Balanced Scorecard Model, it should be ensured that the sustainability focus is reflected in the corporate scorecard and cascaded throughout the organisation. In smaller organisations with less formal governance structures, cultural and other informal mechanisms focusing on sustainability will be especially important.

For Posten Norge, thorough action plans were established in collaboration with the organisation through the use of workshops and focus interviews. In this way, they were able to identify how each unit in the corporation could contribute in reducing carbon emissions. Posten Norge also developed a governance system giving quarterly assessments on the status for the environmental initiatives throughout the organisation. Key Performance Indicators (KPIs) such as "the number of own vehicles using alternative fuel" and "the number of driving routes replaced" were developed.

Suppliers often play a key part in successfully realising a climate strategy. This was the case for Posten Norge, where only a smaller part of its vehicle fleet is owned by the company itself. Posten Norge is therefore developing a model for collaborating with their suppliers to ensure that the carbon emissions are reduced according to plan. This approach consists of requiring subcontractors to report on for instance their percentages usage of alternative fuel and conducted eco-driving courses, as well as providing benefits for the suppliers that take an active part in reducing Posten Norge's supply chain carbon emissions.

Conclusions

Postal companies are increasingly recognising the strategic importance of developing a climate strategy because environmental and climate issues are so closely related to the core business of the postal industry. Developing a climate strategy should therefore be approached as a core business issue, with the company's environmental targets being clearly linked to initiatives and action plans that will lead to strategy realisation.

The impact of sustainability as a business driver will continue to increase over the next decade. By ignoring sustainability, CEOs risk jeopardising their market position and losing potential competitive advantage. At the same time, sustainability also requires increased collaboration. Achieving climate goals is, although strategic, not a zero-sum game. The way that climate issues transcends corporate and national boundaries calls for unprecedented levels of collaboration, both between corporations along the supply chain, between public and private organisations, and between governments and NGOs. Inherent in this is the opportunity for the development of new products and business models.

Questions for thought and discussion

1. Why does sustainability appear to be such an important driver for transformation in the postal industry? What is the significance of developing a climate strategy?
2. The authors outlines some helpful steps and measures that address some of the key questions in a structured way – what are the advantages of adopting this kind of systematic approach?
3. Should postal companies be pursuing all of the initiatives outlined in Step 4 to reduce carbon emissions or should they prioritise a few of them? What will be the implications of treating climate strategy as a core business issue?

CHAPTER FIFTEEN
CTT Correios– Transforming for Environmental Sustainability

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This chapter describes how a leading European postal operator, CTT Correios de Portugal, has embarked on a transforming journey to become positioned as an environmentally sustainable organisation. The authors show that, although this is about identity and ethos, this is not just a case of re-branding but of substantive and fundamental change that is now impacting on all parts of the company. So as well as a much improved image and reputation, these changes have positively affected its bottom line.

Background

The main business activity of CTT Correios de Portugal is to set up, manage and operate the postal network and the corresponding public service including the collection, processing, transport and delivery of documents, goods and other postal items both domestically and internationally, as well as the provision of ICT services, and financial services.

The company is one of the country's biggest employers, with a staff of over 14,400. Approximately 170,000 customers step into the Post Offices daily, while around 6 million postal items are handled and delivered every day to over 5.6 million households. CTT is a public-owned, profit-making company, with a turnover of around €800 million and results in the range of €60 million (2010 data).

CTT Group is leader in all the business areas in which it operates in Portugal (mail, CEP, printing/finishing, among others) and it is also present in Spain and Mozambique. Besides this, it also provides consultancy services in various markets within Europe, Africa and Latin America.

Environmental Commitment

In 2010 the company strongly invested in the field of environmental sustainability by launching a campaign to promote the new institutional positioning of the CTT brand. This campaign was named Programme Earth. Environmental engagement became the motto of many of the main activities undertaken within the company this year. Programme Earth included the launch of a new portfolio of more ecological products and services and almost four dozen other actions related to energy efficiency in buildings and vehicles, reduction of greenhouse gas emissions, green procurement, waste management, environmental management certified systems, sustainable mobility, environmental education, protection of biodiversity, and the purchase and use of environmentally friendly materials.

The new positioning campaign involved several promotional actions, namely the advertising movie CTT.Consigo, the first carbon-neutral such movie at a world level, where the actors were actually CTT staff. This movie was broadcast on national television channels, and was the starting point of the external communication campaign for the general public. Radio commercials were also broadcast; billboards were spread throughout the country and posters displayed in post offices and letter-boxes; mailings were sent to CTT business customers, among other external communication actions. All the actions undertaken in this scope may be viewed on the CTT.Consigo website: http://www.cttconsigo.com/.

Rebranding for Competitiveness

As market leader, CTT decided to take up new positioning, in order to show its responsibility towards the environment and clarify the sometimes biased perception of high negative environmental impacts associated with postal activities and paper-based communication. These are the brand objectives:

- New values of innovation and environmental sustainability, which allow it to be viewed as a modern, innovative and more dynamic brand
- An emotional and relational concept that ensures customer loyalty in a liberalised context, the ecological vector being a brand differentiating factor
- An organisation-wide "banner" that leads it through the market liberalisation process and leverages internal mobilisation

CTT's New Eco Portfolio

Within the new brand positioning, an ecological range of products and services – Eco Portfolio – was launched, aiming to meet consumers' needs. CTT was the first postal operator at a world level with an integrated environmentally friendly portfolio, covering both the private and business segments.

Correio Verde (translated as Green Mail or Easy Mail), is a pre-paid solution redesigned in the light of ecological concerns and it has new formats and packages produced with recycled materials and eco-friendly paints. These preserve the paper and cardboard natural colours and reduce the amount of paint used in printing. Simultaneously, some models of envelopes and packages on sale were designed to be re-usable, and a carbon compensation system was adopted for all Correio Verde posted items. Their GHG emissions are compensated through the acquisition of equivalent carbon credits coming from a sustainably managed forest in a protected natural area, near Lisbon.

An eco-range was also created for the direct mail products (addressed advertising). Customers are subject to a qualification process, which takes into account several environmental criteria regarding their mailings: quality of address databases, environmental certification, use of sustainable resources and recycled/recyclable materials. Should they meet these requirements, then they profit from specific, cheaper rates and can use CTT's Green Merit symbol, which certifies that their message is more "environment friendly". This is a programme aimed at the business segment to promote the sustainable production of mail, already adopted by several big customers. As for the addressees, the aim is that this symbol of environmental merit is valued and that brands/companies which invest in more eco-friendly communications are recognised as such by costumers.

Within the same type of approach are the postage stamps *meuselo* and *meupostal* (both belonging to the traditional range), which are now made of environment-friendly materials.

Digital Challenges

CTT, like most of the industry, is also facing a set of key challenges, such as the full liberalisation of the sector and the declining trend of physical mail, with parcels and logistics providing today the bulk of the business opportunities. CTT, being a market leader and one of the most reliable and trustworthy Portuguese companies, has to continually capitalise on the trust that citizens and economic agents alike place in it.

CTT's strategy in this sector was to affirm itself as a major digital communications player: we were the first Mobile Virtual Phone Operator in the country, we set up the largest public digital mailbox in Portugal, we have offered hybrid and email solutions for quite some time, and we operate mailmanager and digital postmark services. At the same time, we kept innovating the traditional portfolio with less environmentally impacting services. With the Eco portfolio, we intend to strengthen the "green" vector of communication on hard support, by valuing its environmental arguments and proposition.

Our view is that paper-based and digital solutions, though competitive, are, to a larger extent, complementary means of communication, fulfilling different consumer needs and that there will still be room available for both in the overall communications market of the future.

Sustainability Pays Off

The results of this set of sustainable initiatives were extremely good, both in terms of the bottom line and the company's reputation. During the year 2010, CTT strengthened its image as an environmentally friendly and socially responsible organisation, improving results at the same time.

The rebranding communication campaign was awarded first prize in the category of Best International Communication Single Event (movie). More importantly, a recent brand positioning survey showed that the association which the general

public makes between the CTT brand and environmental issues, as well as with a corporate social responsibility standing, increased from 31%, to 44% and 48%, respectively, in 2010.

On the financial side, the launch of the new Eco portfolio has slowed down the declining trend of physical mail revenues. Launched by mid-2010, the new Direct Mail Eco range of products represented 10% of the total Direct Marketing products revenue in the period of August through December 2010, while Correio Verde sales increased by 5% in 2010, compared to the previous year.

Questions for thought and discussion

1. People talk about "green-washing", where companies simply put up environmental credentials as part of their PR image or packaging but where any change is quite superficial. What does a company need to do in order to have a whole ethos or "DNA" that is genuinely "green" and to become an organisation that is completely environmentally sustainable in every aspect of its working?
2. To what extent have CTT Correios reacted to drivers of change in the market that everyone in the sector faces, and how much have they chosen to shape their response to the challenges in a proactive manner that also seems to have delivered bottom line results?
2. What are the positive and negative impacts of environmental considerations on postal companies? The authors refer to the "biased perception" of the public – what impact do negative notions of "paper" and descriptions of "junk mail" have on the industry and can this be changed? If so, how?

CHAPTER SIXTEEN
The UPU Strategy: Positioning Global Postal Business in a Changing Environment

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With its rich history intimately tied to the development of the postal sector, the Universal Postal Union is not immune to the transformation currently sweeping the industry. In this chapter, the authors discuss the transformation of the sector and candidly share the UPU's vision and strategy for the future.

Introduction

Any observer of today's postal sector will realise that it is going through a phase of profound transformation. We are now living in a world where several long-established postal operators have started to venture into providing products and services that are well beyond the scope of traditional postal services, where competition comes not only from new market players but also from innovative means of communication, and where the notion of universal postal service itself is beginning to be called into question, at least in some parts of the world. In this fast moving and challenging context, how can the Universal Postal Union, an intergovernmental organisation created more than 130 years ago and bringing together 191 member countries, provide added value to its members and to the whole postal sector?

It is with this question in mind that the UPU is currently working on the preparation of its strategic roadmap for 2013–2016. This chapter presents the broad ideas driving the definition of the UPU strategy and also provides a first, high-level, overview of the main goals to be pursued by the organisation in this time of postal transformation[1].

A Turbulent, Fast-changing General Context

For an intergovernmental organisation dealing with both political and specific technical issues, two levels of strategic analysis are necessary. Firstly, a broad one looking at various political, economic, social, technological, legal and environmental trends (the classical PESTLE analysis). This layer is completed with a more specific study of the state of play in postal markets. In the following paragraphs, PESTLE elements are described in a few words whereas the postal trends are simply listed, as most of them are self-explanatory and have been widely discussed elsewhere.

A Changing International Political and Economic Landscape

The global financial and economic crisis has probably boosted the importance of big emerging countries (the creation of the G20 and the renewed relevance of the BRICS being prime examples) on the international stage, at least from an economic perspective. Thus, most of today's global economic growth comes from emerging

1 At the time of writing the strategy has not been adopted yet by the UPU member countries. It is expected that the UPU Congress, the supreme body of the organisation, will adopt the document in September–October 2012. That said, the broad lines of the strategy document have already been subject to extensive discussions and are accordingly not expected to change too dramatically

countries[2]. Furthermore, in 2007 the gross general government debt of advanced economies was 73.1% of GDP, against 36% for emerging economies, whereas the figures are expected to be respectively 107.3% and only 30.1% in 2016[3]. In other words, the international balance of power is in flux and while the consequences of this transformation are not clear as yet, the situation is likely to remain unstable for the years to come.

Technology, Internet and Customer Power

Around the time the UPU adopted its last strategy in August 2008, Facebook had not reached 100 million users, nobody had heard of the iPad, and Nokia still had over 40% market share in the global market for mobile handsets[4]. At the time of writing these lines, there are now more than 600 million active Facebook users[5], the second version of the iPad is revolutionising the way we get access to news and share information, and Nokia's market share has fallen to 28% because of its lack of anticipation of the impact of smartphones[6]. All of this goes to show that technology changes very quickly and has an impact on customers' behaviour as well as on the way they communicate.

Demographic Factors

Migration, ageing and urbanisation have wide-ranging consequences. Thus, according to the International Organization for Migration, the total number of international migrants increased from 150 million in 2000 to over 214 million in 2010[7]. This is having a deep political, social and economic impact on both destination and origin countries. With regard to ageing, the UN notes that the world's population aged 65 and over is set to double from now to 2050 from around

2 For instance, from 1960 to 1985, developed economies represented around three quarters of the increase in annual world GDP and emerging markets a much smaller share of around 17%. From 1986 to 2007, emerging markets saw their share grow to 47% while the contribution of developed economies dropped to 49%, a shift accelerated by the recent global financial crisis. See, for example, http://www.imf.org/external/pubs/ft/fandd/2010/12/kose.htm for a more complete discussion

3 Source: IMF Fiscal Monitor April 2011, p. 18

4 Source: "Nokia grabs 40% of phone market for first time" http://www.reghardware.com/2008/01/24/sa_q4_phone_figures/

5 Source: Business Insider, "Facebook Has More Than 600 Million Users, Goldman Tells Clients", http://www.businessinsider.com/facebook-has-more-than-600-million-users-goldman-tells-clients-2011-1

6 Source: Wall Street Journal, "Nokia Market Share Slides – Gartner", 9th February 2011, http://online.wsj.com/article/BT-CO-20110209-705792.html

7 See http://www.iom.int/jahia/Jahia/about-migration/facts-and-figures/lang/en

7.6% to 16.2% of the total population[8]. Such a shift will take a toll on countries' public finances because of social security entitlements, among others. Finally, in 2007 and for the first time in history, more than half the world population lived in cities. It is expected that the proportion of city dwellers will keep rising, especially in the developing world.

Global Crises

In a globalised world, local events now have impacts far beyond their national borders, as was shown, for example, by the recent earthquake and tsunami in Japan in March 2011. The emergence of globalised crises can be observed in various fields such as health, finance, the environment/climate and security.

Regulation

This is undoubtedly a controversial topic, but in the aftermath of the global economic and financial crisis, calls have grown louder for better regulation of financial markets. These calls have also extended to other areas, for instance commodity markets, and somehow point to a backlash against the relatively laissez-faire philosophy of the previous years.

Postal Trends

The following then, have been the key trends identified with regard to the transformation of the postal sector:

- Changes in mail and parcel volumes, with a general decline in letter volumes and the positive impact of e-commerce on parcel volumes
- Changes in postal markets: liberalisation, new governance models (separation of operational and regulatory functions), competition, partnerships
- Diversification
- Innovation
- Greening of postal business

Threats and Opportunities for the UPU

So, where does all this leave the UPU? The above analysis actually translates into a number of threats and opportunities for the organisation. Thus, the financial

8 See Standard and Poor's "Global Aging 2010: An Irreversible Truth", p. 2

and economic crisis has taken its toll on both governments and postal operators, forcing them to find ways to reduce their deficits and cut their costs. This is a potentially delicate situation for the UPU, which is financed by its members. Next, an important part of the UPU's budget and focus is still devoted to the letter business. With the expected continuing decline in volumes of physical mail, there is a risk that the organisation will become less relevant if it does not adapt to the new postal reality. Finally, while the emergence of a structure such as the G20 seems to indicate a new, more open form of multilateralism, some analysts are of the opinion that this grouping of countries is nothing but an empty shell[9]. The emergence of new powers on the international stage could indeed create tensions that, combined with an adverse mood against globalisation following the havoc wrought by the financial crisis, could diminish the importance of multilateralism[10]. This would not be good news for an intergovernmental institution such as the UPU, belonging to the United Nations system.

On the other hand, the current context offers good opportunities for an organisation like the UPU. Thus, the transformation and diversification of the postal sector has meant that there is a real need for reliable, neutral and comprehensive sources of information. Furthermore, the growth of e-commerce is set to continue and to benefit postal operators. Finally, given that letter volumes have generally been declining, postal operators have started offering services along other dimensions of the postal sector, notably in the field of electronic communication[11]. These new networks are highlighting the need for better coordination and interoperability of the different services at the international level.

What the UPU Has to Offer and What it Has to Improve

There are several strengths the UPU can build on to exploit the many opportunities the current environment offers. Thus, the UPU is in a position to provide a unique mix of expertise and knowledge on the global postal sector thanks to its reach and access to postal, governmental and regulatory entities throughout the world. In addition, the emphasis put since 2005 by the UPU on the need to consider

9 See for instance Ian Bremmer and Nouriel Roubini, "A G-Zero World", Foreign Affairs, March-April 2011

10 "Welcome to a zero-sum world", Gideon Rachman, in The World in 2011, published by The Economist. See http://www.economist.com/node/17493390 The same author has published a book on the topic: see http://www.ft.com/cms/s/2/bcfb2d80-dd62-11df-beb7-00144feabdc0.html for an edited excerpt

11 An example of this is Deutche Post's E-Postbrief, www.epost.de

the postal sector as a three-dimensional network, bringing together physical, financial and electronic aspects, is a cornerstone that remains relevant in today's postal world especially with regard to the emergence of new, electronic networks as mentioned above. Furthermore, the kind of integrated services provided along the three dimensions by posts matches some specific needs in e-commerce such as identity verification, management of returns and online payment services. The UPU can play a role in putting in place cross-border regulations and standards, and in facilitating integrated solutions adapted to customers' needs. The UPU can also build on its strengths to avert some of the threats identified in the analysis. Thus, diversification along the various dimensions of the postal sector can help counter the threat of e-substitution through the development of innovative products and services.

An area where the UPU could do better is the decision-making process of the organisation, which is sometimes perceived as slow and not flexible enough, and which could possibly prevent it from coming up with relevant standards and regulation in a timely fashion for its members. This weakness could also possibly foster the expansion of networks outside the governance framework guaranteed by the UPU. This could put in danger the single global postal territory, arguably the biggest achievement of the organisation.

A Forward-looking Strategic Framework

The strategic framework of the UPU should be flexible enough to allow it to accompany the transformation of the sector, whilst at the same time fostering the values that have made the postal sector successful over the years (trust, integrity and access, among others). It should also aim at achieving the vision of the organisation, namely that the postal sector should be seen as an essential component of the global economy.

Four goals have been established and will define the priorities of the UPU in the future, based on the above analysis. The first goal focuses on the core task of the organisation, that is, the efficiency of the postal networks and of the global postal supply chain. This goal comprises actions aimed at improving quality and reliability, and making the interoperability of systems and networks a reality, for instance through the setting up of effective standards and regulations. Furthermore, at a time when the postal sector is faced with multidimensional threats (we can think here of counterfeit goods, money laundering, possible explosive devices put in postal items, phishing and other internet-related threats) a focus on the security of the global postal supply chain is more than ever necessary. This can only be achieved in close cooperation with other organizations such as the World Customs Organisation (WCO), the International Air Transport Association (IATA) as well as the Internet Corporation for Assigned Names and Numbers (ICANN).

Next, the UPU should beef up its efforts in profiling itself as a reference on postal knowledge and expertise. In the same vein, it will be important for the UPU to use the information it gathers and the studies it produces to advocate for the role played by the postal sector in today's economy.

A third focus for the UPU should be to help its members develop products and services that will allow them to grasp the opportunities offered by the markets. Under this umbrella, the UPU would advise its members through the exchange of best practices with regard to the use of technology in developing new products. It would also put in place projects aimed at fostering international e-commerce, and thereby international trade, through the postal networks.

The last proposed goal of the UPU is to foster the sustainable development of the postal sector. Sustainable development should be construed as a very broad concept. As postal operators diversify their activities and, for some of them, even think of relinquishing their letter business altogether, the UPU should provide opportunities for a discussion on what business models are sustainable for the posts. The fourth goal also includes aspects of environmental awareness and social responsibility. Finally, the postal sector and the UPU should strive to promote inclusion of all sectors of the population by encouraging the provision by postal operators through their extensive network of, for instance, access to affordable postal financial services and to government services. This last point is particularly important with regard to the nature of the UPU as an intergovernmental organisation belonging to the United Nations.

Challenges

In implementing the strategy, the UPU is bound to face institutional challenges and structural tensions. The UPU is made up of 191 member countries that have very different levels of development and therefore very different expectations towards the organisation.

With the transformation of the sector, several new actors play a role in the postal sector alongside the traditional operators. How these new players can be included remains a subject for discussion at the UPU.

Finally, the meaning of the universal postal service for the organisation and the sector are an important aspect for consideration. Whilst in liberalised markets a universal service obligation can seem a burden for historic operators, as it involves high costs, universal service remains at the core of the mission of, and a guiding principle for the UPU. Bearing in mind that each member country is free to define the scope of its own universal service, the UPU should as much as possible encourage an open universal service that takes into account citizens' needs and technological progress in developed, developing and least developed countries.

Conclusion

Does the transformation of the postal sector mean that the UPU has to transform itself? Up to a point. Faced with a rapidly changing international context and with the radical transformation taking place within the postal sector, the UPU has to perform a balancing act. On the one hand, it has to take stock of the considerable changes taking place in its environment and within the postal sector if it wants to remain relevant and attract the interest of its members. At the same time, it should also play on the strengths that have made its success so far and that keep their value under the present circumstances: neutrality, multilateralism and a focus on quality and innovative postal products, adapted to a modern universal postal service.

In sum, bringing together governments, operators, regulators and other industry players, the UPU definitely has a role to play in the transformation of the postal sector provided it can understand and adapt to the needs of its stakeholders.

Questions for thought and discussion

1. The authors argue the point that even in a world where letter volumes are in relatively rapid decline, the postal sector as such continues to play an important role, not least so in lesser developed countries. How different are the contexts of developed, developing, and lesser developed countries and how might the role of the UPU differ between these countries?
2. One of the goals of the UPU is to act as a centre of information (including statistical data), knowledge and expertise. Would it be conceivable for a private company, or an industry-led organisation to play this role? Why not?
3. The authors discuss the risk of intergovernmental organisations becoming less relevant. Are there any arguments why, in a globalised world with increasing inequalities, the reverse might be true?

CHAPTER SEVENTEEN
Concluding Thoughts About Transformation

Derek Osborn

One thing is clear from the many different accounts of postal transformation contained in this volume. We are standing at a pivotal point between a past that has been quite predictable for posts, and a future that is very uncertain In this sector, there are those who would like to preserve the past but there are a growing number who are willing to embrace a radically different future We are now starting to be in uncharted territory, leaving behind what is no longer appropriate and business models that no longer apply, whilst looking forward to what has not yet been described or invented The world of the past is no longer fit for purpose but the world of the future is not yet clear. Life on this line between the past and the future is an uncomfortable place to be, but this has always been the case and the need to face continuous change is not new, so we just need to get used to it and choose our attitude, individually and collectively. We can bury our heads in the sand or we can start to glimpse the industry shapes that are emerging and begin to adjust our thinking to a new postal world that is likely to be very different from what most of us have known.

The contributions in this book enable us to see some good sig posts for the future of the sector. We can observe significant transformations happening around us which give us more than glimpses of how the future might look. Though there are bends in the road and junctions ahead, there are no road maps for the future of the industry – this is what makes this a real voyage of discovery. The road will twist and turn and we will often not be able to see beyond the next corner, but one lesson from the examples we read about here is that we must press on and break new ground, even if we are not sure that we know where that is leading. Equally, we rarely have the luxury of being able to stop for long enough in a static state, to plan and prepare as much as we would like to.

To continue this metaphor of the vehicle journey, those who are leading postal organisations are at the wheel and driving a vehicle that is already moving (and with very many people on board) and going at some speed. The route has to be worked out whilst going along and there is no road map to refer to.

So, in view of all this, the tough but important questions that many top managers, leaders or boards are facing are:

- How can we lead or guide our organisation through so much change when there is so much uncertainty facing the industry?
- How can we ensure that we successfully achieve the transformation that is necessary and take all the people in our organisation with us?
- To what extent can we drive the direction of change, internally by what we do in our organisations, with our employees and our customers and by shaping the market – and to what extent are we being influenced by external changes that directly impact on us?

One other question often troubles top executives and that is: Why do so many change or transformation programmes fail?

The industry thought leaders who have written chapters in this book have provided some clues and some answers to these questions. In fact, there is a great deal of serious academic research, empirical evidence and also conventional wisdom about managing change and leading transformation, from how to initiate it, to how to maintain and sustain it. So much it would be able to fill many other volumes.

However, one model that is often quoted and is undoubtedly helpful is that of the 8 steps of *John Kotter's Guiding Principles for leading change*[1] These are:

Acting With Urgency

- Examine market and competitive realities
- Identify and discuss crises, potential crises or major opportunities

Developing the Guiding Coalition

- Assemble a group with enough power to lead the change effort
- Encourage the group to work as a team

1 From: Kotter, J. P. (1996) *Leading Change*. Cambridge, MA: Harvard Business Press

Developing a Change Vision

- Create a vision to help direct the change effort
- Develop strategies for achieving that vision

Communicating the Vision: Buy-in

- Use every vehicle possible to communicate the new vision and strategies
- Teach new behaviours by the example of the Guiding Coalition

Empowering Broad-Based Action

- Remove obstacles to change
- Change systems or structures that seriously undermine the vision
- Encourage the risk-taking and non-traditional ideas, activities, and actions

Generating Short-Term Wins

- Plan for visible performance improvements
- Create those improvements
- Recognize and reward employees involved in the improvements

Don't Let Up

- Use increased credibility to change systems, structures and policies that don't fit the vision
- Hire, promote, and develop employees who can implement the vision
- Reinvigorate the process with new projects, themes, and change agents

Make Change Stick

- Articulate the connections between the new behaviours and organizational success
- Develop the means to ensure leadership development and succession

Providing strong leadership through change is more than being at the wheel of the organisation and driving it through this uncertain landscape – it is more like being the "GPS system" for everyone on board, with a destination in mind (the shared vision) but also being able to provide clear direction for the immediate choices ahead.

If leaders can provide this so-called 'golden thread of shared purpose, values and goal' then they are much more likely to inspire and engage their employees.

Engaged employees are not born, they are made – this means that it is possible to involve your people throughout, invite their input and ideas, and so gain their support and commitment to the change. If they feel that they have some ownership or "stake" in the direction that the company is taking then they will feel more motivated to make it work and also to contribute their effort and ideas without coercion.

Of course it is important to explain why changes are necessary, to ensure that there is a readiness for change throughout the organisation and that the potential benefits are also set out clearly, but whilst good communications are essential and necessary they are not sufficient by themselves. Good change leadership needs to be constantly open to review, the plans need to be adaptable and flexible and the organisation needs to be agile and quick to make important decisions.

Throughout any period of change in an organisation there needs to be a strong focus on continuous learning. This will ensure that underneath the constant change, some resilience and stability is built to enable the transformation to be both dynamic and sustainable.

So the best way to achieve successful transformation is through strong and inspirational leaders, with clear vision, who can share this with the whole organisation, so that they embark on the journey together – with a shared purpose and an understanding that en route, things will change and it will not always be easy. If the right people are focused on the right things and all are fully engaged in a collective effort (which is much more than good communications) then the transformation programme is far more likely to succeed

However, as we see from most of the case studies, you never finally arrive – you only ever get to the end of one wave of change just to stand on the brink of another journey into yet more uncertain futures. For the postal industry this is the exciting point we have reached. Innovative approaches and new versions or configurations of the "old model" are being launched into the market all the time, so much so that the whole postal industry landscape is being redeveloped and renewed – indeed transformed.

Contributors

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Johnny Thijs is CEO of bpost, the leading Belgian postal operator. He took charge of the company in 2002, at a turning point in its history, when its structure, efficiency, quality of service and corporate culture needed to be drastically upgraded in order to prepare the company for the full liberalisation of the postal market in 2011. Johnny was awarded a degree in commercial engineering by the University of Limburg (School of Economics). He started his career in product and marketing management at Vander Elst (Rothmans Group) in 1974. In 1981 he joined Masterfoods, where he was in charge of marketing and sales for Belgium, the Netherlands, Germany and France. Between 1986 and 1991 he headed up corporate marketing and general management at Côte d'Or-Jacob Suchard. He was Executive Vice President and later CEO for Europe, Asia-Pacific and Africa at Interbrew until 1999. Johnny is a member of the Board of Directors of Fromageries Bell (France) and Univeg and President of the Board of Directors of Spadel and Max Green.

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Per Lindeborg is the Director of Quality in Meddelande Operations. He has a long career in the mail distribution development in Sweden. From responsibilities as local and regional Production Manager, he has more and more focused on quality development, change management and management systems. He was responsible for the quality certification according to the ISO 9000-standard and is now focusing on how a LEAN-approach can help the organisation to develop further. He is also responsible for the business planning process in Meddelande Operations.

Marten Büttner started his career with Arthur D. Little and developed the postal business of Arthur D. Little over a period of 16 years. He became the global head of the Travel & Transportation practice of Arthur D. Little comprising of the postal, railway and aviation industry. He has moved on to work as a member of the executive board of an international company in the packaging industry as well as a director at the European School of Management and Technology in Berlin. Since 2009 he is working as an independent consultant in the postal industry and primarily supports Pos Malaysia in its transformation programme.

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In her career to date, **Jody Berenblatt** has regularly contributed her mailing expertise in postal policy to the U.S. Congress, the U.S. Postal Service, the Postal Regulatory Commission and the Mailers Technical Advisory Committee (MTAC). She currently serves on the Board of the Association for Postal Commerce (Postcom) and was Vice Chair of the Postcom board from 2005-2009 and interim Chair in 2010. Jody was previously Senior Vice President of Global Postal Strategy at Bank of America, Director of Postal Commerce and Distribution at Time Warner and Director of Mailing Services for Columbia House. Today Jody is an independent consultant.

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THE FUTURE IS IN THE POST

Perspectives on Strategy in the Postal Industry

Edited by Kristian J. Sund and Derek Osborn

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The *Future is in the Post* is the first of a series of titles relating to the Postal Services and was launched at the Copenhagen Post-Expo 2010. In *The Future is in the Post* an international group of highly experienced industry thought leaders discuss some of the strategic choices facing postal operators. Their discussion of the main drivers for change provides managers, suppliers, customers, policy-makers and politicians, regulators, and academics with insights into the challenges and opportunities the sector is facing, and how strategically the industry is responding. *The Future is in the Post* shows clearly that there is no "one size fits all" recipe for strategic success and that each business will need to determine its own route to survival.

The sixteen contributors include those with senior managerial experience in posts in Australia, Canada, Germany, Italy, the Netherlands, Sweden, Switzerland and the UK, together with representatives of several major international consultancy organisations to posts and governments plus senior executives from international companies that are major users of, or suppliers to, the posts.

Never has the business of the post been more exciting and challenging, and seldom have there been so many opportunities that could be grasped. With digital convergence direct mail has become an integral part of the media mix; electronic commerce has contributed to a healthy development in the traffic of parcels; and for those postal operators active in banking, finance and insurance competition and digitisation has offered new opportunities.

To obtain a copy of *The Future is in the Post* visit www.libripublishing.co.uk